Canada. Royal commission on transportation

Evidence, vol. 31-33. 1949

1951

A.R.

Canada.

ROYAL COMMISSION ON TRANSPORTATION

EVIDENCE HEARD ON

AUG - 5 1949

VOLUME

31

ROYAL COMMISSION ON TRANSPORTATION

Index Page #46-A

ROYAL COMMISSION ON TRANSPORTATION

TORONTO, ONTARIO,
FRIDAY, AUGUST 5, 1949.

THE HONOURABLE W.F.A.TURGEON, K.C. LL.D. - CHAIRMAN,

HAROLD ADAMS INNIS - - COMMISSIONER,

HENRY FORBES ANGUS - - COMMISSIONER,

- - - - -

G. R. Hunter,
Secretary.

P. L. Belcourt,
Asst.Secretary.

- - - - -

MR. DESMARAIS: The first submission this morning, Mr. Chairman, is that of Ship-by-Rail Association of Canada. Mr. H. B. Huston, the Executive Secretary, is to take the stand.

H. B. HUSTON, called.

MR. DESMARAIS: I understand, Mr. Chairman, that Mr. Huston is agreeable that the brief be taken as read.

THE WITNESS: That is true.

SHIP-BY-RAIL ASSOCIATION
OF CANADA

Honourable Chairman and Members,
Royal Commission on Transportation,
Dominion of Canada,
OTTAWA, Ontario.

Gentlemen:-

On behalf of the Ship-by-Rail Association of Canada I desire to express the appreciation of that Association for the opportunity of placing before this Commission our recommendations regarding the problems associated with and arising out of the Highway Transport Industry in Canada. In this respect it is our thought that under Sub-section (a) Section 2 of the Terms of Reference this Commission could quite properly consider the adoption of a national transportation policy within which highway as well as rail services may be uniformly regulated and controlled so as to give the people of Canada the benefit of the best possible transportation services at the lowest real cost.

The control and regulation of the railways by the Board of Transport Commissioners for Canada has proven to be in the public interest as well as a protection to the employees, the Management and owners of the railways. This control was found necessary when the railway industry was young, to guard it and its users, the Canadian public, against the evil results of unfair and uneconomical competition between themselves. In our opinion, the Highway Transport Industry, particularly those operating for gain, are in a similar position today as the railways found themselves in prior to the Railway Act of Canada and supervision by the Board of Railway Commissioners. We find that at the present time in Canada nine provinces (Newfoundland excluded) are regulating highway transport in the way each sees fit. One Province will license highway commercial vehicles under a permit system; the next province allows any who wish to operate to do so without obtaining a permit. Another province has rate regulations while others allow the truck operators to charge whatever they deem fit for their services, in other words, we have nine licensing authorities each with a different basis of regulation. Under the different provincial highway regulations, Boards or Commissions trying to serve the best interests of all in their respective jurisdictions cannot be expected to grant or refuse permits on a common basic standard. The problem of the control of inter-provincial and international highway transport should be solved. The present mehhod is for each province to regulate that portion of such service within its

boundaries, but control of the through operation cannot be assumed by any one province.

The Royal Commission on Highway Transportation, Ontario, 1938, recommended controls to eliminate the ills within the highway transport industry. The Sirois Report of 1940 recommended co-ordination and overall control of transportation. The Canadian Manufacturers Association in 1944 brought forth a brief recommending the need for a National Transportation Policy. The Railway Brotherhoods early this year, in a brief presented to the Federal Government, deplored the lack of recognition and control over highway transportation in Canada and urged a National Transportation Policy. The Canadian Industrial Traffic League, in their brief presented to the Dominion - Interprovincial Conference in 1944, pointed out the Highway Transportation difficulty as being due to the evils resulting from the lack of adequate regulation. The Railway Association of Canada, July 1945, presented a memorandum to the Dominion Interprovincial Conference in which they advocated Federal regulation of interprovincial and international highway transportation.

The Automotive Transport Associations in various provinces, have advocated provincial regulation and control for their own protection.

We may be accused of attempting to urge legislation which will put the public commercial vehicles off the highway, but this is not so and it can be readily seen from the foregoing that we are not alone in our argument that there is a real need for a National Transport Policy.

Our Association, therefore, strongly urges this Commission to make a thorough investigation into the highway transport industry of Canada with a view to recommending the co-ordination of the Federal and Provincial Governments in establishing some form of Centralized Control. Such control would, in our opinion, ensure uniformity of regulation, eliminate unfair and uneconomical competition, provide jurisdiction over international and inter-provincial highway traffic, and could be authorized to act as an appeal board.

This suggestion is not motivated by any desire on the part of this Association to cast any reflection upon any Provincial Department of Public Highways, nor do we suggest that any recommendation be made regarding the revenues derived from highway transport by the provinces as, in our opinion, this feature should remain wholly within the jurisdiction of Provincial Governments. We firmly believe, however, that an investigation will prove the necessity for a National Policy on Highway Transportation, and also that control of international and interprovincial highway transportation should be assumed by the Federal Government. We fully recognize that there is a place in the transportation field of Canada for highway transport. We realize that the motor vehicle is not only a valuable asset, but a highly important and desirable factor in the economic life of the country. The highway transport in particular offers advantages for short haul traffic in small quantities and serving communities which have never been served by rail transportation. However, lack of regulation and

enforcement of regulations now on the statute books of some of the provinces does not give the highway transport industry proper protection and does not permit control within their sphere of operations so that they may serve in the best interests of all.

We would be ungrateful if we concluded our presentation without expressing our sincere appreciation to the Government of Canada for appointing a Royal Commission on Transportation which gave us this opportunity of presenting our views to an unbiased, impartial and judicial body. To you, Sirs, we are deeply grateful for the kindness and courtesy extended to us. We sincerely hope that with the co-operation of the interested parties appearing before you, the enormous task assigned you will be a pleasant and successful one.

On behalf of the Ship-by-Rail Association of Canada.

(Sgd.) H. B. Huston,
Executive Secretary.

EXAMINED BY MR. DESMARAIS:

Q. Mr. Huston, would you tell the Commission just what the Ship-by-Rail Association of Canada is and whom you represent?

A. The Ship-by-Rail Association of Canada is an employee organization, confined to the employees of all steam railroads within the Dominion of Canada. It is a booster organization, and I have a copy of our constitution here; if you would care to have it I can leave it with the Commission.

Q. I think that will be all right. What is your membership?

A. The membership campaign is still in progress. It is an annual affair, and it is rather difficult for me to estimate just what the final returns would be.

Q. Could you give us an approximate figure?

A. I can give you an approximate figure: about 25,000.

Q. In your brief at pages 1 and 2 you recommend the adoption of a national transportation policy, and state that co-ordination of Federal and Provincial Governments in establishing some form of centralized control should be brought about. Now, presumably you recognize that there may be some difficulty in achieving your aim, due to constitutional difficulties?

A. That is true.

Q. Would you care to express your opinion as to whether or not an amendment to the British North America Act should be made if necessary, to bring about such control, or whether you would prefer the alternative of arriving at agreements between the provinces?

A. Some years ago -- we have been in operation I would say approximately eighteen years, and we have on occasion presented briefs to the various governments along these lines. In the first instance we asked that it be brought under the Board of Transport Commissioners, or the Railway Board at that time, but found that, as you mention, the British North America Act would not permit it. While we would like to see the British North America Act amended to provide that, I think that is

almost an insurmountable difficulty, and we have finally come to the conclusion that possibly a collaboration between the provinces, with shall we say a Dominion Chairman, setting up a central authority, would be the proper method of forming a national transport policy.

Q. But you realize also that there might be some difficulties in having the different provinces agree?

A. We have found that out, sir.

Q. Now, you state on page 3, in the middle of the page, that lack of regulation does not give the highway transport industry proper protection; would you care to comment on the argument that competition brings about lower rates, which are desirable from the point of view of the consumer?

A. I do not think they are desirable, if I understand your question correctly, from the point of view of the consumer, for the simple reason that he never would know exactly what the price of the article would be, based on transportation costs.

Q. Does not competition bring about lower prices?

A. Regulated competition, yes.

Q. Regulated competition?

A. Yes.

Q. Now, do you think that lack of regulation has brought about either a failure of trucking companies or inefficient service to the shipper?

A. Would you mind asking me that question again, please?

Q. You mention in your brief that lack of regulation does not give the highway transport industry proper

protection;has this brought about failure of trucking companies and so on or financial --

A. From my knowledge, yes.

Q. Now, in regard to the service, do you believe that the lack of regulation has caused inefficient service by the truckers?

A. Yes, I do. I could elaborate on that if you desire it.

Q. Please do.

A. I have here a magazine, Western Motor Transportation, January 20, 1949, in which their eastern correspondent is advocating a strong Canadian Automotive Transport Association. In doing so, he states, at page 37:

> "The vital importance of the work of these associations is shown by the case of the Maritimes, where no association has yet been formed. As a result the trucking industry in this territory is in a God-forsaken mess, with the wildcatter, the chiseller and the rate-cutter playing hob with the industry."

Q. And that would apply not only in the Maritimes, but anywhere where the trucks are not regulated?

A. I would say so.

Q. Now, do you believe that regulation should provide for a licence only on proof of necessity and convenience?

A. Yes.

Q. Generally speaking should the same provisions and obligations apply to trucks as to railways in the

carriage of goods?

A. That is shall we say the minimum we are looking for.

Q. Do you believe that the trucking rates should be set by the same authority which sets the railway rates?

A. Not necessarily by the same authority. Probably we would not be able to make those arrangements, having in mind the differences between the provinces, and that is why we suggest that possibly the provinces themselves could by collaboration set up some sort of central authority so that the regulations, publishing of tariffs and tolls, would all be on a standard basis, a national basis in other words.

Q. Would you be of opinion, then, that truck rates and railway rates should be equal for similar services?

A. I am not prepared to answer that. That is a little too technical for me. I am not a technical man.

Q. When you suggest that trucking should be regulated, is that so because this would provide certain protection for the railways?

A. Not only for the railways; for the public as a whole. We feel that the railways themselves are under the Railway Act bound to carry on the transportation of goods on a national basis, and on the other hand we have the highway carriers, who are provincially controlled to a certain extent in some of the provinces, with the result that each of those boards or commissions who grant certificates of public necessity and convenience only take it from a local or a provincial standpoint, while the railways, as we understand it, whenever they publish

a tariff or toll, must do so on a national basis.

Q. Can we not gather from your brief that the lack of regulation of trucking has brought about ruinous competition for the railroads in certain fields?

A. I would say so.

Q. Do you believe that in some way the various transportation agencies should be allocated the traffic which they are best fitted to carry? Should certain traffic be assigned to trucks, for instance?

A. That is something to which I have not given a great deal of consideration, Mr. Desmarais.

MR. DESMARAIS: I think, Mr. Chairman, that is all I have to ask.

THE CHAIRMAN: Any questions by anybody else?

MR. McLEAN: I have one or two, if I may be permitted, sir.

CROSS-EXAMINED BY MR. McLEAN:

Q. Is it your idea, witness, that you would restrict the motor carrier to certain classes of goods over certain routes? Is that what you have in mind in the matter of regulation?

A. There is nothing in our brief that would --

Q. No, but I am thinking, have you proceeded beyond the point expressed in your brief as to the character of the regulation you would advocate?

A. We have not considered that angle particularly. What we are interested in is the transportation of goods over the highways, the arterial highways of our nation, and we think that the regulation of the transportation of those goods should be on a national basis.

Q. Would you go so far as to say that if there existed to a certain point a rail facility, with daily or frequent service, the carriage of goods to that particular point would be restricted to carriage by rail, or would you permit trucks also to operate?

A. We would like to see them as feeders.

Q. See them as feeders?

A. That is right.

Q. Do you feel that regulation of trucks by either a centralized control or the province would ever be the answer to the competition which the railways suffer from trucks?

A. It would be a step in the right direction.

Q. You think it would put an end to that?

A. Not necessarily.

Q. Isn't it a fact that if you were very strict about your regulation of motor carriers, the granting of certificates for public carriers, you would meet a lot of competition by individual carriers like wholesale grocers, beer distributors, and so on, who would use their own trucks?

A. I would say that was a question for the highway industry to answer.

CROSS-EXAMINED BY MR. FRAWLEY:

Q. Mr. Huston, is the Ship-by-Rail Association of Canada incorporated or unincorporated?

A. Unincorporated.

Q. It is a voluntary organization?

A. Correct.

Q. Where is its office?

A. In Union Station.

Q. In the Union Station Building. Do you pay rent to the Toronto Terminal Railway Company?

A. No, sir.

Q. To whom do you pay rent?

A. No one.

Q. And do you occupy space, then, rented to the Canadian National or the Canadian Pacific Railway?

A. One desk.

Q. In space rented to the Canadian Pacific or the Canadian National Railway?

A. That would be the Canadian National.

Q. To the Canadian National; so you occupy space in the Union Station which is owned or rented by the Canadian National Railway?

A. Mr. Chairman, I did not know we were under investigation.

THE CHAIRMAN: No, no; there is no harm in that, is there?

THE WITNESS: Okay, sir.

THE CHAIRMAN: You are a legitimate association. He just wants to know how you are made up.

MR. O'DONNELL: He is just inquisitive, that is all.

MR. FRAWLEY: Q. Do you have members all over Canada, the Ship-by-Rail Association?

A. We do.

Q. How many members have you in the Province of Alberta?

A. I cannot tell you. I said to Mr. Desmarais that our membership campaign is an annual affair and it is not completed. I have had only one report from the Province of Alberta.

Q. How old is your organization?

A. In the Province of Ontario, eighteen years.

Q. Eighteen years; and in the Province of Manitoba?

A. I would say, roughly speaking, about eighteen months.

Q. And in the Province of Saskatchewan?

A. The same period.

Q. And in the Province of Alberta?

A. The same period.

Q. And in the Province of British Columbia?

A. The same period.

Q. And in the Maritime Provinces?

A. Roughly speaking, two years.

Q. Now, you are financed by membership fees, are you?

A. Right.

Q. And what is your membership fee?

A. Fifty cents in some of the provinces and twenty-five cents per annum in others.

Q. And it is an individual or a corporation -- is your membership limited to individuals or corporations?

A. No, it is limited to individuals.

Q. And an individual may join by paying fifty cents a year or twenty-five cents a year?

A. Right.

Q. How many members have you got in the Province of Ontario?

A. We have 5,100 at the moment.

Q. 5,100?

A. At the moment.

THE CHAIRMAN: Mr. Frawley, who are the members?

MR. FRAWLEY: I will develop that quite fully, with your permission, my lord.

Q. You have about 5,100 members in the Province of Ontario?

A. I do not have about; I have 5,100.

Q. You just have 5,100?

A. That is right.

Q. And are they individuals or are they members?

A. They are members.

Q. I mean are they individuals or corporations?

A. Individuals.

Q. All individuals?

A. All individuals.

Q. No corporations?

A. No corporations.

Q. Now, do you have among your individual membership any employees of a railway company?

A. They are all railway employees.

Q. All railway employees?

A. All railway employees.

MR. O'DONNELL: A little bit late.

MR. FRAWLEY: Q. So it is a railway organization?

A. It is a railway employee organization.

MR. O'DONNELL: A slight difference.

MR. FRAWLEY: Q. Are you employed full-time by the Ship-by-Rail Association of Canada?

A. No, I am not.

Q. You are not employed full-time?

A. No.

Q. What are your other duties, Mr. Huston?

A. Such duties as I may be asked to do by my superior officer.

Q. And your superior officers are who?

A. Canadian National Railways.

Q. The Canadian National Railways?

A. That is right.

Q. Which department of the Canadian National Railways?

A. Transportation.

Q. Transportation?

A. Yes.

Q. That one does not seem too familiar to me; freight or --

A. Operating.

Q. Operating?

A. Yes.

Q. You are in the operating department?

A. That is right.

Q. Mr. Walton is your superior officer?

A. That is right; I am glad you put it that way.

MR. O'DONNELL: You might say Mr. Vaughan is, too.

MR. FRAWLEY: Q. And you cannot tell me now --

and it is not just curiosity, Mr. Huston -- how many members you have in the Province of Alberta?

A. No, I cannot. I have not heard from Lethbridge, Calgary or Medicine Hat.

Q. And whom would you be hearing from in Calgary, Lethbridge or Medicine Hat?

A. I do not think I have to give that information; it would be a railway employee.

Q. Railway employees.

A. Yes.

Q. Oh, I don't care to know his name; but you are waiting to hear from some railway employee in Lethbridge, Calgary and Medicine Hat?

A. We have 71 units across the Dominion, and I am waiting to hear from four of the units in Alberta before I can give you a definite answer.

Q. Well, that's fine; I am not annoyed about it at all.

A. Neither am I.

Q. There are four in Alberta, did you say? In Lethbridge --

A. I said I have not heard from.

Q. Tell me who these four are?

A. Lethbridge, Medicine Hat --

Q. Calgary?

A. Calgary. I cannot give you the other name now; I have forgotten.

Q. It could be Edmonton?

A. Oh, yes.

Q. So you have three Canadian Pacific points and

one Canadian National point?

A. I could not tell you just exactly what the positions of the railway employees are, but I would say that there are Canadian National and Canadian Pacific employees in both places, all places.

Q. In Lethbridge or Medicine Hat?

A. Very funny if there is not a Canadian National Express office there.

Q. Now, tell me this: do you have any members, corporate or otherwise, in the truck companies of Canada?

A. Absolutely not.

Q. Not even Dench of Canada in Alberta?

A. Not to my knowledge.

Q. Well, you know Dench of Canada, do you?

A. Not very well.

Q. Do you know that it is owned wholly by the Canadian Pacific Railway?

A. I do not.

Q. That would not admit it to membership, would it?

A. I am not aware of it at the moment if it was.

CROSS-EXAMINED BY MR. SINCLAIR:

Q. Mr. Huston, I understand that you made representations to different people at different times?

A. That is true.

Q. Did you ever make any representations to the Government of the Province of Ontario?

A. Yes, I have.

Q. Regarding truck competition?

A. True.

Q. And you had discussions with the Government officers?

A. That is right.

Q. What was the result of those discussions?

A. The latest discussions we had were with the Prime Minister of Ontario, at that time Mr. Drew, about a year or a little better ago, and the last one was on May 18 with the Honourable Mr. Doucett, the Minister of Highways, and Mr. Drew said that he agreed in principle with our thought that there should be a national transportation policy, but he felt sure he would differ with the Dominion Government on the matter of detail.

Mr. Doucett --

Q. Mr. Doucett is who?

A. Minister of Highways for Ontario. At first he thought that our representations were to the effect that we would take the revenues away from the Province of Ontario.

Q. That is what he thought?

A. That is what he thought; but when we explained it to him he said he agreed with us in principle. In fact, he was at that time giving consideration to some of these very same matters.

Q. Now, some years ago was it not partially at least as a result of your representations to the Government of Ontario that the Chevrier Commission was appointed?

A. That is true.

Q. And that Commission went into the matter of whether trucks and buses were being charged licence fees that bore a resemblance to the cost of construction and maintenance of the highways which were being used by them?

A. That is right.

Q. And am I right that a Professor Bread made a very detailed study in connection with representations presented to that Commission?

A. Yes.

Q. Did any recommendations of the Chevrier Commission regarding taxation of trucks and buses arise out of the Commission's --

A. There were some eleven recommendations, and one of those recommendations had to do with the increase in taxation.

Q. And has it been implemented?

A. Not to any great extent.

Q. Now --

A. The gas tax was about the only thing that came out of it.

Q. Would you or would you not agree that the method of meeting wasteful competition by private truckers mentioned by my friend Mr. McLean would be to have these truckers pay a reasonable fee for the use of highways and facilities provided by the Government?

A. It was our thought, Mr. Sinclair, that the cost of construction and maintenance of the highways should be borne by the users, and evidence is showing, from various publicity we receive from time to time, that the heavy transports are damaging the highways, and we think that they should pay their fair share of the cost of construction and maintenance of the highways, because at the present time it is our thought that the engineers are constructing the highways not with a view to weather

conditions but rather to meet the heavy weights that are being carried over them.

Q. By trucks and buses? A. That is right.

Q. Now, Mr. Huston, one of the main purposes of your organization, I presume, is to maintain the standard of living of the railway employees?

A. The main purpose of our organization is the protection of our jobs.

THE CHAIRMAN: Q. The what?

A. Protection of our jobs.

Q. Have you a written constitution?

A. Yes, I have, sir.

MR. O'DONNELL: I think you might file it.

THE CHAIRMAN: Q. That sets out your objects?

A. That is right.

Q. Would you tell us what they are?

A. Yes, I could, if you just give me a moment.

MR. SINCLAIR: Q. Could it be filed as an exhibit?

A. Yes, glad to. I brought several copies here.

MR. DESMARAIS: It will be filed as Exhibit 73.

EXHIBIT 73: Constitution of the Ship-by-Rail Association of Canada.

THE WITNESS: Just for your information, do you desire me to read what the objects are?

MR. SINCLAIR: The Chairman asked you to just tell him.

THE CHAIRMAN: Q. Is it very lengthy?

A. No, it is not, Mr. Chairman.

Q. You have four pages.

A. That is right.

Q. You can read them if you like.

A. To urge:

"1. Upon railway management, to improve the service now being given by the railways, to extend the service wherever necessary, and to co-ordinate it with other forms of transportation and delivery systems owned and operated by the railways.

"2. Upon merchants, manufacturers and the public generally, with a view of inducing them to use the railways as a medium of transportation, in preference to other forms of transport.

"3. Upon the Dominion Government or other governing bodies to adopt legislation regulating other forms of transportation in such a manner as to prevent unfair competition and to refrain from enacting legislation in any way detrimental to the railways, which would ultimately affect the railway employees.

"4. To increase understanding and co-operation between all our affiliate members, so co-ordinating our service that railway users, the travelling and shipping public will appreciate our form of transportation more than that of competing forms of transport."

MR. SINCLAIR: Q. In carrying out the functions of your organization, Mr. Huston, have you found that in calling upon merchants and others, they have felt that there were two sides to this highway truck story?

A. On numerous occasions.

Q. You have found that?

A. Yes.

Q. And have you found among the merchants a desire, throughout the country, to have a more developed stable transport policy in serving their community?

A. We have found, on surveys that have been made among the manufacturers or consumers or the shippers or receivers, that they would be glad to have some type of protection for themselves, in this way, that to-day a truck will come up to their door and pick up freight, charging one rate, and another truck will come up and offer to take it at possibly a slightly lower or higher rate, with the result that they do not know from day to day what their competitors are paying.

Q. Have you made any investigation as to the labour conditions on private trucks or truck companies or organized companies

A. I think the best thing I have in that connection, I might mention, that had anything to do with railway labour or wages, working conditions, is a matter for the union or brotherhood to handle, and does not come within our purview, but in respect of our transport operators I noted in the paper the night before last that they had an increase, had arranged an agreement, I believe, with the Automotive Transport Association, whereby they will get a rate of 92 cents an hour.

Q. That is for transport drivers?

A. Transport drivers. This is back in 1938 -- it is eleven years ago -- but this is a resume from the Royal Commission, 1938, Ontario.

Q. That is the Chevrier Commission?

A. That is the Chevrier Commission. At pages 16, 19, 23, 166 and 169 will be found evidence that in a substantial number of cases men were reported as working from 67½ to as long as 115 hours per week. I just note from the report; I cannot say that condition obtains to-day.

(Page 5945 follows)

Q. And what were they being paid, do you know?

A. At that time anywhere from $20 to $24 a week. Some of them were as low as $13.

Q. And in your investigations have you made any findings in regard to how the law is being enforced in regard to highway transportation?

A. Yes, to a certain extent, by conversations, and we have found it is difficult for the Attorney-General's office -- I am speaking of Ontario of which I have knowledge.

Q. That is the provincial highway transport law of Ontario?

A. Yes. The Attorney-General's office has the policing of the highways, and it is under-staffed in order to take care of that.

Q. So that the law is in certain instances, to your knowledge, being flouted?

A. I can only assume that. I have no evidence.

CROSS-EXAMINATION BY MR. O'DONNELL

Q. I might ask one or two questions. Members of your organization are not restricted, are they, to employees of the Canadian National Railways and the Canadian Pacific Railway?

A. Not at all.

Q. They are employees of any steam railway operating in Canada?

A. Yes. Just to enlarge upon that, The Dominion Atlantic Railway, the Montreal and Southern Counties, Canadian National, Canadian Pacific, Chesapeake & Ohio, New

York Central, Great Northern in British Columbia, Great Eastern, the one that starts nowhere and ends nowhere, London & Port Stanley.

Q. You have with you this morning other members of your Association, a delegation of three or four?

A. Yes.

Q. Who are they?

A. I have Mr. Quinton, an executive board member, a T. H. & B. despatcher.

Q. Toronto, Hamilton and Buffalo Railroad operating into Toronto?

A. Yes. He is a despatcher. I have Mr. Meagher, our president, who is a railway express man, Canadian National Express.

MR. FRAWLEY: I did not catch that.

MR. O'DONNELL: I just asked him who the members of the delegation were. Mr. Meagher?

THE WITNESS: Mr. Meagher is with the Canadian National Express and the Railway Express Company of the United States. Mr. Wigglesworth, who has just arrived, is honorary president of our Association, and has 51 years as a machinist with the Canadian National Railways. I might say that our executive board, while it is not all present today, has members from the Chesapeake & Ohio Railway, the New York Central Railway, the T. H. & B., Canadian Pacific, Canadian National Railways at the present moment in Ontario. One more is Mr. W. J. Brackner, our treasurer, a retired clerk, Canadian National Railways.

MR. O'DONNELL: Q. You made mention of a membership campaign to Mr. Frawley. I take it that is a current campaign this year?

A. Yes.

Q. Yousaid you had not heard from those four points in Alberta. That is in connection with the ultimate success, or the ultimate number of members you may have in Alberta?

A. Right.

Q. You have heard from other areas in Canada?

A. Yes.

Q. You have actually in Ontario at the present time 5,100 members?

A. Yes.

Q. And your total membership is approximately what that you have heard from to date this year?

A. 10,239.

Q. And these other provinces are still to report?

A. Still to report, and the Ontario campaign is not finished.

Q. Thank you very much.

A. Might I just ask at this moment -- I did not catch where Mr. Frawley was counsel for.

MR. FRAWLEY: I am counsel for the province of Alberta.

MR. O'DONNELL: And the consumer.

THE WITNESS: I do not know whether this speaks for the western provinces or not but I would like to put it into the record. In 1947, at our annual meeting, we had the privilege of having the Premier of Saskatchewan -

MR. FRAWLEY: You had what?

THE WITNESS: Mr. T. C. Douglas . We had the privilege of hearing from Mr. T. C. Douglas, premier of

Saskatchewan who at that time - and this is the shorthand report - made this statement to our organization:

"His feeling and that of his government were not to allow competition between trucks on the roads. If a franchise was granted to one man and he did not give the necessary service, when the year expired it was in all cases withdrawn and given to another transport company. Only one franchise was granted over one road. Mr. Douglas agreed that the time is long overdue when there should be some form of national control where trucks will not compete with the railways but become feeders to the railways rather than at the present time competing over all routes. The federal government, however, cannot have all the benefits without some of the responsibility, and his opinion was if national control is set up there must be some contribution made by the federal government to the cost of the highways."

MR. MacPHERSON Jr.: Q. What was the date of that again?

A He appeared before us on May 2, 1947, in the Royal York hotel.

MR. DESMARAIS: Are there any further questions? Thank you, Mr. Huston.

MR. COVERT: The next submission is that of the Canadian Industrial Traffic League.

Page 5959 follows

GEORGE PAUL, Called

EXAMINED by MR. COVERT:

Q Would you tell the commissioners what your position is with the Canadian Industrial Traffic League?

A I am the President.

Q And your organization, as is stated in the first paragraph of the brief, is a national organization of industrial traffic managers representing some 600 members from coast to coast in Canada?

A That is correct.

Q You have a submission which consists of six mimeographed pages dated April 22, and attached to this is a printed submission which was made in 1944 to the federal and provincial governments of Canada.

A That is correct.

Q My suggestion, Mr. Paul, is that these be taken as read into the record. There is no need to read them here. Is that agreeable to you?

A Yes, thank you very much.

Q Then we can just proceed with the questioning. The commissioners have all had an opportunity of reading the brief, so I think we will proceed that way with the consent of counsel.

SUBMISSION MADE BY THE CANADIAN INDUSTRIAL TRAFFIC LEAGUE TO THE ROYAL COMMISSION ON TRANSPORTATION

The Canadian Industrial Traffic League is the national organization of industrial traffic managers representing some 600 members located in Canada from coast to coast and as such is concerned with the efficient and

economical transport of goods and of persons. As citizens of the Dominion its members are concerned with all aspects of transportation which affect the economic and social welfare of Canada.

Our submission is based on general principles and expresses the policy of the members of the League collectively. It is without prejudice to the interests of any individual member or group of members who may wish to make separate representations.

In making our submission in response to the terms of reference of your Commission, may we first present, in the form of the enclosed pamphlet, the National Transportation Policy of our League which, to some extent, deals with many of the matters being studied by your Commission.

In addition, we submit herewith the League's views on the specific matters referred to in paragraph 2 of the Terms of Reference under the various headings as indicated by the marginal letters in P.C. 6033.

(a) The League feels that the matter of statutory rates as covered by the Crow's Nest Pass Agreement (chapter 5 of the Statutes of Canada 1897) falls under this section of paragraph 2 of the Terms of Reference of your Commission.

Our objections are directed against the principle of establishing rates by Statute, whereby they are removed from the jurisdiction of the Board of Transport Commissioners and no provision is made for consideration or adjustment of the same by the Board in order to reflect changing economic conditions. When this Act was enacted,

the economic conditions prevailing were vastly different from what they are today. Railway operating costs have increased tremendously since 1897, which has necessitated a number of general increases in freight rates. The statutory rates referred to, however, are outside the jurisdiction of the Board of Transport Commissioners and, consequently, the traffic other than that covered by the Crow's Nest rates must bear the whole burden of the general increases. The result is that the burden of the concessions granted when the Act was passed in 1897 has, by the change in economic conditions, been transferred from the carriers to the general users of the carriers' services.

We now refer to the Maritime Freight Rates Act, 1927 and point out that the principle underlying this Act is fundamentally different. Under the latter Act the difference between the statutory rates and the normal rates are subject to adjustment, after investigation and approval by the Board of Transport Commissioners, to reflect changes in railway operating costs.

The League submits that where economic, geographic, or other conditions exist in certain sections of Canada which in the national interest require special treatment, the cost or burden should not be placed on the carriers, and thus on the users of transportation services, but should be borne by the country as a whole. We, therefore, respectfully request that your Commission recommend in its report that the Governor-in-Council require the Board of Transport Commissioners to determine what are reasonable rates on grain and grain products in the territory covered

by the Crow's Nest rates and that the difference between the statutory rates and the normal reasonable rates so determined be borne by the National Treasury similar to the Maritime Freight Rates Act.

(b) We have no submission to present with respect to this item at the present time. However, if other submissions are made on this matter, we request to have the opportunity to make such further representations as may then be deemed advisable.

(c) We feel that this is a matter for the management of the Canadian National Railways to initiate. However, we request the opportunity of examining any figures and plans submitted with a view to making any appropriate comments.

(d) We quote from our National Transportation Policy with respect to this item:

"Accounts: Each carrier should be required to keep accounts on some prescribed system and reports be issued to appropriate authority on a uniform basis.

"This is necessary so that the authority may have sufficient statistical data available properly to exercise its functions."

We also request the opportunity of studying and, if found advisable, commenting on any plans submitted to your Commission under this item.

(e) The League firmly holds that since freight rates which are such an important factor in the economic life of the country are to a large degree based on the needs of the carriers, the railways should be

required to effect every saving in operations which is at all possible.

The Canadian National-Canadian Pacific Act, 1933 was intended to effect a maximum of cooperation between the two companies named. The League, while in agreement with the spirit of the Act, feels that it is weakened by the fact that the Board of Transport Commissioners was not given adequate jurisdiction under its terms. Consequently, we submit that your Commission study the advisability of recommending the imposition of direct duties on and granting the necessary authority to the Board with regard to the fullest possible implementation of the Canadian National-Canadian Pacific Act, 1933.

(f) We draw to the attention of the Commission a very important weakness in the present Railway Act with respect to the powers of the Board of Transport Commissioners. Under Section 325 of the Act referred to, the Board may disallow unjust or unreasonable rates and prescribe reasonable rates for the future, but it does not have the power to order reparation, or in any way require the injured party to be recompensed for loss by reason of the collection of an unreasonable toll on past shipments. The Board itself has pointed this out in a number of its judgments and we refer to the most recent one in this respect:

Vol. XXXVI Judgments, Orders and Rulings of the Board of Transport Commissioners, page 205-209. This judgment also contains references to previous

cases with respect to the same principle. These judgments on this point support the interpretation that under the present Act the Board must hold that the "published rate as filed with the Board" is the only legal rate, and must be applied on past shipments even though it finds the rate unreasonable and prescribes reasonable rates for the future. It should be pointed out here that the Board does not approve all rates filed by the carriers -- the Railway Act only requires that the Board approve the standard or maximum rates. It is, therefore, possible, and sometimes happens, that a "legal rate" in the sense that it has been legally filed with the Board, is found, upon complaint, to be unreasonable. The remedy under the present Act is confined to the future, but there is no redress available for persons injured by the application of such unreasonable rate to past shipments. We submit that this situation is unreasonable and a travesty of justice. It puts a premium on injustice by allowing a carrier to retain money derived from tolls which are found to be unreasonable. We respectfully request that your Commission recommend an amendment to the Railway Act empowering the Board of Transport Commissioners to order reparation to be paid to injured parties by reason of the collection of unreasonable tolls on shipments made within a period of two years prior to the filing of complaint.

CANADIAN TRANSPORTATION POLICY

Submission Made to Federal and Provincial Governments of Canada

by

THE CANADIAN INDUSTRIAL TRAFFIC LEAGUE

The Canadian Industrial Traffic League is a national organization of industrial traffic managers and as such is concerned with the efficient and economical transport of goods and of persons. As citizens of the Dominion its members are concerned with all aspects of transportation which affect the economic and social welfare of Canada.

There is a definite need of the acceptance of a transportation policy which embraces in its scope the entire Dominion and also all major forms of transport, whether they are operating provincially, interprovincially or internationally, and which envisages the principle that Canadian transportation be conducted for the common good of all.

Heretofore there has been a wasteful overlapping of common carrier transport services. We believe that this is due, in the main to the absence of a comprehensive national transportation policy on the part of both the federal and the provincial governments, either general or within their respective spheres of jurisdiction.

The announcement of federal government policy as regards air transportation occasions this representation from The Canadian Industrial Traffic League that the federal government as well as provincial governments should formulate and make public the principles which should

underlie all types of transportation over which their individual authority extends.

We believe that the principles so laid down should be of nationwide application, since any departure therefrom for the benefit of any particular locality or form of transport would directly or indirectly but eventually have an adverse effect on other regions of the country or on other carriers, and therefore would be contrary to the general public welfare. Increasingly we are learning of our mutual interdependence.

Accordingly, we hold it as fundamental that no action should be taken by federal or by any provincial authority which permits of undue preference or unfair discrimination by one section of the country by one class of transport against another; but rather that in every case each type of carrier serve the broad national economy by operating in that field for which it is best suited.

Railways

Without detracting from the value of other forms of transportation, it may be categorically stated that in the past and preeminently at the present time the railways have been and are of paramount national importance. We believe that they will continue to occupy a leading position in this country if sound regulation is adopted and enforced for all carriers.

The existing regulation of railways seems in general adequate.

Highway

Highway transport has proven that it can efficiently and economically perform an essential function both

in freight and passenger traffic. The difficulties of the past have been due to the evils resulting from the lack of adequate regulation, which permitted unsound competition and the invasion, in some cases, of the more adequately regulated sphere of rail, and to a degree, of other transport at rates which did not reflect the costs of service. The existing regulation should be broadened to deal adequately with these evils.

A question which has been publicly raised is whether the Motor Transport Industry pays its fair share of the costs of highway construction and maintenance. The facts thereof and the principle involved therein should, we believe, be authoritatively established and made known.

Note: Similar consideration as regards other forms of transportation would appear to be in order.

Water

The value of water transportation, both inland and intercoastal, has also been clearly established. It performs an important low cost service. The wasteful competitive practices which existed in the past in inland services have been curbed by the establishment of regulation in The Transport Act of 1938. Similar regulation for water services between the eastern and western Canada coasts would seem to be proper.

Air

Air transport has been an effective instrument in promoting access to our northern areas in which it has pioneered in the development of carriage of freight and passengers by air. It has reduced to hours journeys which formerly took days or months to accomplish by the only means of conveyance that were previously available.

These services were instituted and developed by private initiative. Fast transcontinental service has been inaugurated by Trans-Canada Air Lines, which similarly effected a marked reduction in the time required to travel between widely separated centres of the Dominion.

It would seem proper to point out that government ownership of rail transportation was brought about by a fortuitous circumstance occasioned by the force of events arising from over-expansion of rail facilities. In the case of air transportation, however, government ownership has been by design.

The policy recently announced by the Federal Government with respect to air transportation raised some apprehension in our minds, particularly as to the proposed divorcement of air transportation from any rail affiliation and the prohibition placed against any surface carrier entering this field. We are of the view that such may prove to be contrary to the public interest as in so restraining enterprise the future development of valuable regions might be hampered. In any case it is submitted that such a policy as proposed would eventually result in a monopoly of local air transportation in the Dominion and we are opposed to any such monopoly, whether controlled by government or by private interests, as being contrary to the public welfare so far as transportation is concerned.

The existing regulation administered in part by a department of the government and in part by the Board of Transport Commissioners should be combined and administered by an independent board, preferably the Board of Transport Commissioners for Canada.

We believe this proposed action to be proper, and that the entire service be so regulated.

SUBMISSION

We believe that the federal and provincial governments should formulate such a basic transportation policy as will serve the best interests of the entire country.

To this end and with the earnest desire of being of assistance to such authorities we submit the following as a statement of broad principles which, in our opinion, should govern transportation in Canada whether under federal or provincial jurisdiction:

(a) The inherent advantages of each type of transportation should be recognized and preserved.

(b) No restriction should be imposed which would unduly prejudice any type of transportation in favour of another.

(c) Safe, adequate and economic conditions of transport should be promoted by, inter alia, the establishment and maintenance of reasonable charges for services rendered, free from unjust discrimination or undue prejudice or preference between persons or localities.

(d) Unfair or destructive competitive practices should be prohibited whether between carriers of the same class or type or between carriers of a different class or type.

(e) All carriers should be permitted to engage in any class or type of transportation so long as the regulatory tribunal finds that such activity is necessary and convenient in the public interest.

(f) The competence of anyone affected (carrier or person) to file a complaint with the regulatory tribunal should be sanctioned by statute.

In our opinion conformity to these principles can only be achieved by the sound regulation of all common carrier transportation agencies, and with administration thereof being vested in bodies having judicial powers, preferably in the Board of Transport Commissioners for Canada where federal jurisdiction is involved, i.e., on inter-provincial and international traffic and in independent boards established by provincial legislatures and with similar judicial powers over shipments moving locally within the individual provinces.

Since under these broad principles the aims of the various provinces and of the Dominion would be identical and the conditions of transportation vary but slightly, we would anticipate full collaboration between the various regulatory bodies in the national interest.

There is attached to this communication an appendix outlining in more detail the regulation proposed.

APPENDIX

REGULATION DETAILS

Since the object is the regulation of all common carrier transportation in the public interest, we should anticipate that legislation, whether federal or provincial, would follow closely the same pattern in order to achieve uniformity as much as is possible. Further, since the aim of all would be for a sound transportation policy predicated upon transportation conditions existing with respect to each class of carrier, there should be no insurmountable difficulty in reaching substantial

uniformity. Close collaboration between the various judicial regulatory Boards would be a requisite.

We propose the adoption of a system of regulation which, recognizing the status of all common carriers in the whole transportation economy of the country, would be equally applicable to all forms of transportation. The system should be patterned on the Railway Act since this legislation over a long period of years has proven satisfactory. It should be administered in the federal field by the Board of Transport Commissioners for Canada and in the provincial fields by appropriate provincial bodies with similar judiciary powers.

Briefly the requirements of the Railway Act are as follows:

1. That every carrier must secure an authorization from the Board as a prerequisite to operate a service.
2. That every carrier according to its powers must provide adequate and suitable accommodation, proper appliances and means for receiving, loading, carrying, unloading and delivering traffic offered for carriage.
3. That all types of traffic which a carrier undertakes to transport must be received, carried and delivery made with due diligence and without delay.
4. That such traffic shall be accorded the service outlined on due payment of the tolls lawfully payable therefor.
5. That the service performed and the rates charged must be reasonable and free from undue preference or unjust discrimination.

Succinctly the Act requires that the carrier

shall afford to all traffic offered for carriage a reasonable service at reasonable rates free from undue preference or unjust discrimination.

Necessity and Convenience

Each carrier should be required to secure from the regulatory tribunal having jurisdiction a certificate of necessity and convenience before it may operate a transportation service for hire, pay or gain.

This is necessary in order to regulate the operation of services so that the public may have safe, adequate and economical conditions of transportation and to avoid wasteful practices. We would refer to the conditions of the Railway Act under which the railways are required to secure authority from the Board of Transport Commissioners for Canada before they may operate a service and also to the various public service acts of the Provinces where this type of certificate is required.

Proof of Financial Responsibility.

Every carrier should be required to demonstrate to the proper public authority that it is in a position to discharge all obligations to the public that may arise in the conduct of its business, including insurance of goods, payment of workmen's compensation, etc.

This is designed to safeguard the interests of the users of such services.

Tariffs

(1) Filing of Tariffs -

All carriers should publish and file with the regulating Board and publicly post its schedules of tolls, and be bound by penalty to charge only the tolls thus legally in effect at the time of shipment.

This is necessary in order that the tribunal and users of the services may know the tolls that are legally in effect and, in cases of complaint, may determine the rates applicable in such cases dealt with by the Board. This action ensures that every user may have a knowledge of the lawful rates applicable on his shipments or on the shipments of his competitors.

(2) System of Rates -

We believe that the system at present required by the Railway Act may well be accepted or adopted as a base for the publication of rates by other forms of transport, i.e.,

(a) A uniform classification of freight;

(b) Tariffs of class rates to be used with such classification, containing standard, special and competitive class rates; and

(c) Tariffs containing special or competitive "commodity" rates.

(a) The purpose of a classification is to reduce to a minimum the number of tariffs which may be necessary in the publication of rates. It reflects the incidence of the various factors involved in the transportation of one commodity versus another, and in carload lots or in smaller quantities. It is a flexible method inasmuch as it may be readily altered to meet changing conditions.

(b) The purpose of the class rate tariffs is to state the tolls to be used in connection with the classification.

(c) The purpose of special "commodity" rates is to permit of free movement of traffic, which either generally or in normal circumstances could not so move at the

rates prescribed in the class tariffs. The great bulk of traffic is transported at "commodity" rates.

"Competitive" rates, whether class or commodity, are necessary in order to enable the carriers to meet competitive situations without adversely affecting their general rate basis.

Bills of Lading

The appropriate authority should require that each class of carrier utilize a bill of lading or a contract of carriage on all shipments. These documents would be uniform for all carriers of the same type and would be approved by the regulatory authority.

This requirement will ensure that the shipper understands, or has the opportunity of knowing, the obligations of himself and the carrier and the conditions under which his goods are transported.

Accounts

Each carrier should be required to keep accounts on some prescribed system and reports be issued to appropriate authority on a uniform basis.

This is necessary so that the authority may have sufficient statistical data available properly to exercise its functions.

System of Rate Making

Each class of carrier should establish its rates on the basis of cost and value of the services which it renders. The legislation dealing with the regulation of the various classes of carriers should contain a requirement that the rates must be reasonable, free from undue preference or unjust discrimination, and that any "competitive" rate must be at least as

compensatory as defined in section (d).

(a) Cost and Value of Service

Rates that are based on the carrier's cost of performing a transportation service and that also reflect the relative value of such service to the user should assure the carrier of an adequate return and also permit the widest economical movement of goods at charges which they can relatively best bear.

(b) Reasonableness

Tolls which conform to this principle can be held as "reasonable."

(c) Unjust discrimination

Rates which depart therefrom in specific instances may result in a discrimination which places an unjust burden on competitive movements of traffic.

The foregoing proposals are recognized by the jurisprudence of the Railway Act. They are here proposed as properly applicable to all types of transportation under conditions peculiar to each type.

(d) Compensatory tolls

In order to obtain the haul on traffic which would otherwise not be secured due to competitive conditions, a carrier will frequently publish a "competitive" rate lower than it would normally assess.

We hold the firm view that the publication of any such "competitive" rate, which causes one carrier or group of carriers to entail an operating loss in order to secure traffic which a competing class of Canadian carrier can economically handle, is contrary to sound national economic and social principles and will eventually result either in an unfair burden on other users of transportation or the taxpayers generally.

To avoid this we propose that an authorized regulatory Board, on its own motion or on complaint of any interested party, shall determine the cost of handling such "competitive" traffic by the carrier desiring to participate in its movement, and that the cost so determined shall be the basis for the minimum toll which the intervening carrier may properly assess in the circumstances obtaining.

Connecting Services

Since many services are complementary one to the other, working agreements should be required which provide for the through movement under a through joint bill of lading where one regulatory body has jurisdiction and at joint rates where possible.

For the advantage of the shipping public and to aid the free movement of traffic between various forms of transportation carriers, the suggested through billing arrangement should be instituted to the extent that it is feasible. By enabling the traffic to be handled on through bills of lading and at joint rates, the employment of shipping agents at the transfer or junction point between the different forms of transportation would be avoided and the shipper would also be able readily to determine what the applicable transport charges would be on the entire transaction.

Page 5977 follows

MR. COVERT: Q. Mr. Paul, at the bottom of page one of the brief, and continuing on page two and three, you deal with the Crow's Nest Pass rates. My understanding from your brief is that in principle you say you are against statutory rates when they do not provide for adjustment to reflect changing conditions?

A. Well, we are against statutory rates which are not subject to the jurisdiction of the Board of Transport Commissioners.

Q. And you do not quarrel with the rate itself. If it were put in in the national interest you say that is all right?

A. Yes.

Q. But if it not compensatory it may be that it is costing other traffic money when they have to make increases in other traffic and do not make them in the statutory rate. Is that your point?

A. Yes.

Q. You are aware that in the West it is argued that the Crow's Nest Pass rates do pay the railways?

A. I don't know.

Q. You have never heard that suggested?

A. Yes, I have heard that statement made.

Q. I am not asking you whether they are compensatory or not. I just ask you if you are familiar with the statements being made in the east, or they argue, at least, that these rates do pay?

A. Yes.

Q. Now, if they are compensatory rates would you still quarrel with the principle?

[illegible] Mr. Paul, at the bottom of [illegible]

[illegible] the brief, and continuing on page two and three, [illegible] with the [illegible] My understand- [illegible] your brief [illegible] you say [illegible] when [illegible]

[illegible] well, we are [illegible] notes which are [illegible] the [illegible] of the Board of Trade and [illegible]

[illegible] with the [illegible] in the national interest you say that [illegible]

[illegible] getting other [illegible]

[illegible] The railways [illegible]

[illegible] not. [illegible]

A. Yes, we would still quarrel with the principle, absolutely.

Q. And I suppose you say that because we don't know they should be investigated to find out?

A. Well, we suggest in our brief that the matter be decided by a competent body, which is the Board of Transport Commissioners.

Q. You suggest that presumably because the rate is one that was in effect in 1897?

A. Yes, and it has not been subject to any general increases like the other rates.

Q. Would you suggest that all rates that perhaps have not been subject to general increases should be investigated? For instance, suppose there are rates that are generally regarded as low. Do you think they should be investigated?

A. Well, if they are not compensatory, but I would not like to answer that. The brief deals with statutory rates and I would like to stick by that.

Q. You would like to stick by that.

COMMISSIONER ANGUS: Q. Are compensatory rates and normal reasonable rates the same thing? The phrase in the brief is normal reasonable rates.

A. Normal reasonable rates in our opinion should be compensatory.

Q. When you refer to normal reasonable rates you mean rates that pay the railway a proper return, pay the costs and a reasonable profit?

A. Their share of everything, just like other normal rates.

Q. You have not given any special thought perhaps to the exact meaning of those words. You just want them to pay the railways a fair return?

A. Yes. This brief deals with principles, and the details as to what the actual rates, or scale of rates, should be we believe should be decided by the Board.

MR. COVERT: Q. Now, Mr. Paul, would you turn to the bottom of page three of your mimeographed brief, and it continues on to page four. It is where you are dealing with accounting and statistics. You say:

> " Each carrier should be required to keep accounts on some prescribed system and reports be issued to appropriate authority on uniform basis."

You say:

> " This is necessary so that the authority may have sufficient statistical data available properly to exercise its functions."

In the case of the railways I presume when you say "authority" you mean the Board of Transport Commissioners?

A. Yes.

Q. I suppose you think they should have this for the purpose of rate hearings?

A. Not only that; in case of everything.

Q. Just what else did you have in mind?

A. The idea behind this is that all carriers should have a uniform system so that the Board, or the body which regulates them, will be able to compare exactly the same items and know what they cover.

Q. Has your league given any thought to the form that

[illegible] thought perhaps [illegible]

A. Yes. [illegible] principle, and the [illegible] should be decided by the Board.

[illegible] Mr. Perl, [illegible]

[illegible] are three [illegible]

[illegible] accounting and statistics. You say [illegible] carrier should be required to keep [illegible] on some prescribed system of accounts be [illegible]

[illegible] have [illegible] data [illegible]

[illegible] you [illegible] Board [illegible] Commissioner [illegible]

[illegible] would have this [illegible]

A. Not only that, in case of everything.

Q. Just what else did you have in mind?

A. The idea behind this is that all [illegible] have uniform [illegible] so that the Board, [illegible] the bed, [illegible] complete them, will be able to compare [illegible] items and know what they cover.

these accounts should take?

A. No.

Q. You have not. Have you examined the forms used and prescribed by the Interstate Commerce Commission?

A. No, we have not gone into detail.

Q. Then, in item E on page 4 you refer to the C.N.-C.P. Act, and you suggest that the railways should be required to effect every saving possible?

A. Yes.

Q. I think you also suggest that this Act is weakened by the fact that the Board of Transport Commissioners was not given adequate jurisdiction over its terms?

A. Yes.

Q. You think, I take it, that the Board of Transport Commissioners should have power to compel them to do certain things?

A. Yes, where economies are possible.

Q. Now, it has been suggested that perhaps cooperation cannot be forced. You are asking for cooperation between the two railways.

A. Yes, the Act provides for that now, but where there is a disagreement, or where one line does not want to do something that would involve economies, there is no power to force that.

Q. You suggest that the Act should be more than cooperation?

A. Yes.

Q. There should be force to effect economies?

A. Yes.

Q. Then instead of having the two companies sit down and decide what these economies should be, and agree upon

[illegible]

A. No.

[illegible] You have not. Now [illegible] the terms used [illegible]

[illegible]

[illegible]

[illegible] Then, [illegible] in the [illegible]

[illegible] and you regard [illegible] a railway should be [illegible]

[illegible] owners [illegible]?

A. [illegible]

[illegible] Do you also consider that this [illegible] weakened by the [illegible] Board of Commerce [illegible]

[illegible] Yes.

[illegible] You [illegible] the [illegible] and [illegible] suppose [illegible] would be more [illegible] than to [illegible]

A. [illegible]

[illegible]

[illegible] Now, [illegible] consolidation [illegible] supported by [illegible] [illegible] the relation between the two railways.

[illegible] Yes. The [illegible] now, but where the [illegible] a [illegible] or where one line does not want to [illegible] investing [illegible] and invested [illegible] there is no power to force that.

[illegible]

[illegible] out?

[illegible]

[illegible] There doesn't [illegible] be [illegible] economies.

[illegible]

[illegible]

[illegible] [illegible] be, and [illegible]

them and cooperate, you say that perhaps it should go beyond cooperation?

A. Yes.

Q. And a body such as the Board of Transport Commissioners should be able to decide where these two companies can get together?

A. That is right.

Q. And if they cannot cooperate they should have the power to compel them to effect these economies?

A. Yes.

Q. I suppose that might be rather difficult where you have two competitors, two competing railways. Perhaps they are running two operations side by side and one could properly be abandoned to effect economies. Who is going to say which one is to give up its line?

A. There are a number of other matters where the two roads disagree and have a dispute over certain things, that are decided finally by the Board, and presumably the same thing is suggested here, that where there is a disagreement or dispute, and the Board finds that economies are possible and should be made, then they should have the power to order them.

Q. Then you really want something more than an Act asking for cooperation. You want something that really forces the two of them to get together and effect economies?

A. Yes.

Q. At the top of page 5, and continuing to the end of your mimeographed submission, you deal with the question of reparations?

A. Yes.

Q. Mr. Paul, your asoociation is connected in some manner with the Canadian Manufacturers' Association, is it?

A. No, we are not connected. The Canadian Manufacturers' Association is a member of our organization.

Q. A member of your organization. Have you read their submission?

A. Yes.

Q. Now, have you read their suggested reparations -- the proposed amendment to the Railway Act set out there?

A. Yes, I have.

Q. Is it something along that line that your League suggests?

A. That is right.

Q. Have you made any study of the question of reparations, its effect in the United States? I understand they have a reparations section.

A. I am familiar with it.

Q. Have you made a study at all of the effect of it?

A. No, I cannot say I have made a study. I know how it works.

Q. You do know how it works?

A. Yes.

Q. Has it been successful from the point of view of the shipper?

A. I would say so, yes.

Q. Have they recovered substantial sums?

A. Yes.

Q. I think it has been suggested that in many cases in the United States the man who paid the bill, the excess

A. Yes.

M. Well, your association is connected in some manner with the Canadian Industrial Association, is [illegible]

[illegible] We are not [illegible] the [illegible] Industrial Association's [illegible] of our organization.

[illegible] your organization. Have you read the [illegible] constitution?

A. Yes.

[illegible] -operation -- the [illegible] the Railway [illegible] set out there? [illegible] yes, I have.

[illegible] I'll [illegible] that that [illegible]

[illegible] that [illegible]

[illegible] the [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] it works.

[illegible] to [illegible]

[illegible] Yes.

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

charges, is not the man who eventually gets back the money. Have you any knowledge of that?

A. Well, reparation claims in the United States are paid only to the person who actually bore the freight.

Q. The man who actually bore the freight or paid the freight bill?

A. Who actually paid the freight, who actually paid and bore the freight.

Q. I suggest it may not be the same person. For example, I believe they have a two year period of limitation within which to bring a claim?

A. I think that is right.

Q. For instance, suppose the freight bill may have been passed along to the consumer?

A. I understand the claimant has to certify he paid and bore the freight, but that is a detail that I think can be worked out by the Board of Transport Commissioners. Our main presentation is on the principle, that it be put in the Railway Act, and then the Board can issue whatever regulations are necessary to safeguard all concerned.

Q. I was wondering what you had in mind as the real purpose for this reparations clause. Is it perhaps to make the railways more careful in setting their rates, or is it so that people who pay excess freight bills will get back the excess?

A. I think so far as the League is concerned our two principal reasons are first, that the law as it is now is not just. It places the Board in a position -- for instance, today they issue a judgment finding a certain rate illegal or unreasonable, but they must under the present Act declare that yesterday that rate was legal.

The second main object is to reimburse shippers or receivers of freight who have been subjected to excessive freight charges.

Q. Do you feel this is a very important matter as far as Canadian shippers are concerned?

A. Yes, I do.

Q. Do you think there are any weaknesses at all in having a reparations section in the Act?

A. No, I cannot think of any, with proper safeguards and regulations.

Q. You have heard, I suppose -- at least, it is alleged that people in the United States buy up these claims for a certain percentage and then they do the collecting?

A. I haven't heard of that.

Q. You haven't heard of that?

A. No, I am not aware of that.

Q. Have you heard of any difficulties in that way?

A. No.

THE CHAIRMAN: Mr. Covert, is it possible that a rate which is reasonable at aone time might become unreasonable by change of circumstances?

THE WITNESS: That is possible.

MR. COVERT: Q. Would the reparations section apply then?

A. No, it would have to be passed upon first by the Board of Transport Commissioners. They would have to approve all claims.

Q. Do you know how long the reparatians section has been in force in the United States?

A. No, I couldn't say ddefinitely but I think ever since the Interstate Commerce Act came into effect which is

[illegible]

[illegible] chippers or [illegible]
[illegible] ignorant who [illegible] to [illegible]
[illegible]

[illegible] Do you think it is a very [illegible] [illegible]
[illegible] [illegible] are [illegible]

[illegible]

[illegible] Do you think [illegible]
[illegible]

[illegible] No. I cannot think [illegible] with proper safeguards
[illegible] [illegible]

[illegible] have [illegible] [illegible]. It is
[illegible] [illegible] [illegible] buy up [illegible] [illegible]
[illegible] [illegible] [illegible] [illegible] do the collecting
[illegible] [illegible] [illegible]

[illegible] You haven't [illegible] [illegible]

[illegible] No, [illegible] not [illegible] that.

[illegible]

[illegible]

THE [illegible]

[illegible] [illegible] [illegible] [illegible] [illegible] [illegible]
[illegible]

[illegible]

[illegible]

[illegible] [illegible]

[illegible] [illegible]

[illegible] No. [illegible] would [illegible] to be [illegible] [illegible] [illegible]
[illegible] [illegible] [illegible] [illegible]. [illegible] [illegible] have to
[illegible] [illegible]

[illegible]

[illegible] [illegible] [illegible] [illegible]
[illegible] [illegible] [illegible]

[illegible] No. [illegible] [illegible] [illegible] but [illegible] think
[illegible]

quite a period now.

Q. Now, would you take your printed submission. On the page which is marked page 3 - it is the first printed page -- in the third paragraph you say:

"Heretofore there has been a wasteful overlapping of common carrier transport services."

Would you care to elaborate on that at all, Mr. Paul?

A. This was published in 1944 and deals with conditions prior to that time.

Q. Is that true today? Is there still --

A. It is still possible today.

Q. Are you suggesting that there still is wasteful overlapping of common carrier transport services in Canada?

A. I am not in a position to say today.

Q. That is a condition that existed in 1944?

A. Prior to that.

Q. How did that wasteful overlapping exist? What was it?

A. By so many highway operators competing for a limited amount of business.

Q. I suppose you would call that ruinous competition, would you? Is that what you are referring to, among people in the business?

A. Not enough business for the number of people that are in it. It is the same thing, I suppose.

Q. There is a difference, is there? Generally I understand the effect of this printed document is that you say that the federal and proiinvial governments should supervise all types of transportation within their respective fields, and that certain principles should under-lie the regulation

[illegible]

Q. Now, would you be [illegible] printed [illegible]. On the [illegible] page [illegible] it is the first [illegible] page -- [illegible]

[illegible]

[illegible] common [illegible] work [illegible] or that [illegible]

[illegible] published in [illegible] with [illegible] [illegible] that.

[illegible]

A. It is [illegible]

[illegible] that [illegible]

[illegible] to [illegible]

[illegible] that [illegible]

[illegible] to that.

[illegible] that was [illegible] that was [illegible]

A. By [illegible] lower operat[illegible] [illegible] [illegible] [illegible]

[illegible]

[illegible] would [illegible] [illegible] people in the business?

[illegible] the number [illegible] [illegible] the same thing, I suppose.

A. There is a difference, in theory [illegible] [illegible] the [illegible] of this printed document is that you say that the [illegible] and [illegible] comments about [illegible] [illegible] been [illegible] within their [illegible] [illegible]

of all these forms of transport?

A. Yes.

Q. In the provinces and the dominion?

A. Yes.

Q. I suppose perhaps you would prefer, if it were constitutionally possible, to have all under one central control. Is that correct?

A. Well, I cannot commit the League on that. It would bring about what we ask here, uniform regulation, yes.

Q. But your League has apparently recognized some difficulty in this, and that is why you suggest --

A. That is right.

Q. That the provinces keep their own jurisdiction?

A. Yes.

Q. What you would like is uniformity right across the Dominion?

A. That is right.

Q. Now, would you just turn to page 6. Those 6 paragraphs, A to F inclusive, are the principles that you think should apply to all forms of transportation?

A. Yes.

Q. In many ways they are very similar to those set out by the Canadian Manufacturers' Association. There does seem to me to be perhaps some slight differences. In item A you say:

> "The inherent advantages of each type of transportation should be recognized and preserved."

I think that is the same as the Canadian Manufacturers' Association brief. I wonder if you could be of any assistance to us on how you think these inherent advantages could be recognized and preserved?

A. Well, I don't know if I could give you the whole answer. In what respect do you mean?

Q. You start out, I presume, by saying that certain forms of transport have inherent advantages?

A. Yes.

Q. For instance, trucks may be able to do certain things that perhaps the railways cannot?

A. Yes.

Q. And you say that advantage should be recognized?

A. Yes.

Q. Recognized, I presume, by the controlling body?

A. That is right.

Q. And preserved. How are you going to preserve it? I presume that means keep, an advantage that should be kept?

A. Yes.

Q. Would that mean they would say this form of transport will carry certain goods?

A. No, it does not mean --

Q. Just what does it mean?

A. It means that the regulatory body will so regulate that trucks will be free to serve where they can best serve.

Q. Just before you leave that, free to serve where they can best serve - does it also mean they shall serve only where they can best serve?

A. No, I do not think it would.

Q. If they cannot perform a service, if there is some other form of transport that can serve it better you would not say that other form of transport should do it?

A. No.

(page 5990 follows)

A. No.

Q. I am not quite sure that I understand what you mean by preservation of that inherent advantage?

A. For instance, we do not want any restricted legislation which would force shippers to use one or the other.

Q. I see.

A. Trucks, for instance, serve door to door, and, perhaps, in some places can serve better than the railways. Similarly, the railways can handle certain things better than the trucks.

Water carriers can operate at a lower cost than rail carriers, and so on. So the regulations should be such that they are basically, absolutely free to all these transports to engage in the transportation for which they are best fitted, and then to allow competition to decide which way the business goes.

Q. Yes, I think that clears it up.

COMMISSIONER INNIS: Q. As to the origin of these principles, is the Canadian Industrial Traffic League more responsible for them than the Canadian Manufacturers Association?

A. These regulations were drawn up for the League by a special committee appointed for that purpose.

Q. Did the Canadian Manufacturers Association see the results and incorporate them in their brief?

A. They saw the results, but I do not know if they incorporated them. They were both drawn up separately; but each organization knew of the other's principles.

MR. COVERT: Q. Which came first? Dr. Innis is interested in that?

A. I do not know. They are not exactly similar.

Q. No, but they are so similar that it would be interesting to know who had the idea first.

A. The membership of the Canadian Manufacturers Association and of the Canadian Industrial Traffic League are very similar, and their ideas naturally pretty well coincide. The Canadian Manufacturers Association's policy was drawn up prior to this.

Q. You say it was drawn up prior to yours?

A. Yes.

MR. O'DONNELL: Q. It was good enough to be adopted by you?

A. Yes. We were quite happy to.

MR. COVERT: Q. In Item (b), you say:

"(b) No restriction should be imposed which would unduly prejudice any type of transportation in favour of another."

That seems to be the corollary of (a)?

A. Where are you?

Q. I am at page 6 of your printed brief, and your principle (b).

THE CHAIRMAN: Q. The second one?

A. Yes, I think that is self-explanatory.

MR. COVERT: Q. Would that mean, perhaps, it would not mean that a regulating body would not permit one carrier to carry goods at a cheaper rate? You would not go that far?

A. No..

COMMISSIONER INNIS: You have no views as to how that word "unduly" would be given precision to?

MR. COVERT: Q. It seems to indicate there might be some prejudice, as long as it was not undue prejudice?

A. I did not frame this, and I cannot give a full explanation of it. I will just have to read it as it stands.

Q. In the third paragraph (c), you refer to "reasonable charges for services rendered free from unjust discrimination or undue prejudice or preference between persons or localities." Is that a practical suggestion, if you have different boards in different provinces?

A. Yes, I think it is.

Q. You think it would work out also?

A. I think so.

Q. Then in item (d) you refer to unfair or destructive competitive practices, and you say they should be prohibited. What have you in mind there?

A. Well, I think the object there is to guard against cutting rates to the point that they are not compensatory.

Q. So it is rate cutting that you are really referring to there?

A. Yes; and there are more destructive practices than rate cutting, of course. That is one of the main ones, however.

Q. If there are any more which you have in mind, I would like to know?

A. I do not think I can describe any more right now.

Q. Do you think that rules should be laid down dealing with matters of that kind, setting out what would constitute unfair destructive competitive practices?

A. No. I would say that regulations should be laid down along the lines of the Railway Act, for instance, for the regulation of all carriers.

Q. Then, looking at your item (e), I take it you simply mean by that that you get a certificate of public necessity and convenience before you are allowed to conduct any carrier service?

A. Yes.

Q. And would you also empower the regulating body to compel the abandonment of a service on the same basis, if they could not show necessity and convenience? I take it, that being the case, it should not be carried on?

A. That would be the prerogative of the regulating body, and I would be prepared to leave it to them.

Q. You think that they should have that power, and, perhaps, that they should enforce it if it was found -- for instance, supposing a railway had a line which was no longer necessary or convenient; you would say they should say: You abandon this.

A. That is provided for now in the Railway Act, is it not?

Q. You say that should apply to a railway?

A. Yes.

Q. And that they should say: You must abandon this. You say it should be in the power of the Board to say that?

A. I understand it is within the power of the Board, so far as railways are concerned.

Q. But does not the railway apply now under the existing Act? Does not the railway apply to the Board for permission?

A. Yes. They have to apply to the Board.

Q. My understanding is, you say that all carriers should be permitted toengage in any class or type of transportation, so long as the regulatory tribunal finds that such activity is necessary and convenient in the public interest?

A. Yes.

Q. The Canadian Manufacturers Association say that before you can carry on, you must get a certificate. Now, I ask you if that is what you had in mind, too?

A. Yes.

Q. And then you go on to say they can only carry on so long as the tribunal finds that such industry is necessary and convenient in the public interest. In other words, the regulatory body would determine if the trucking business was or was not necessary or in the public interest, and they could step in and say: Here, you must cease this; you must discontinue.

A. I do not know if that would be necessary. If it got to the point that it was not necessary, the carrier would not have any business and he would have to abandon.

Q. I suggest to you that there might be two competitors, and it might be there was not enough business for the two of them; but they might both continue on. Do you think that the regulatory body should be able to step in and say: Here, one of you must quit; and then, they would decide which one?

A. I think the matter of service would decide that, because the carrier who was providing the best service would get the business and the other one would be forced out.

Q. And that is the way you think it should be left?

A. That is the way it works.

Q. I ask you if you think it should be left to work that way, or work the way it seems to me you suggest in the brief?

A. Well, if I interpret the League's policy correctly, they are quite willing to leave it to the regulatory body.

Q. And not, as Mr. O'Donnell suggests, to the survival of the fittest?

A. I would say that the body which has jurisdiction would determine which was giving the best service and which one was necessary.

Q. In the same clause you say:

> "All carriers should be permitted to engage in any class or type of transportation . . ."

What do you mean by that? Does that mean, for instance, that a railway should be able to do trucking and air transport?

A. Yes.

Q. That is what you have in mind?

A. Yes.

Q. It doesn't just mean it can carry any kind of goods? You mean, I think, that, perhaps, because of some objection that your League raised -- some objection; perhaps I am getting you mixed up with the Canadian Manufacturers Association; but I was wondering if you raised some objection to the possibility of monopoly in air transport?

A. Yes. We did oppose that.

Q. And that is what you have in mind in your clause (e); the railway should be able to go into the trucking business, is that correct?

A. Yes, where necessity and convenience is proven.

Q. Would you limit that in any way? Should it be supplementary to the railway services provided, or should they just be able to go into the trucking business anywhere they wanted to, as long as they could show public necessity and convenience?

A. I would say the latter, although the League Committee, at the present time, is considering the question you ask; but I cannot answer it now.

Q. You can foresee possible danger, for instance, in that they might eliminate all competition by trucks?

A. Yes.

Q. That would be the thought which might cause you to qualify your general principle (e) here?

A. Yes. And if it got to that point, I am sure the League would oppose it.

Q. And if they did not oppose it soon enough, it might be too late, perhaps. Now, then, I think you

have nothing to add to (f). I think that is perfectly clear, is it not? You just want somebody to whom somebody can complain? You say there is no regulatory body, there is no one to complain to?

A. That is right.

Q. Taking you back now to page 4, the second page of your brief as printed, the second paragraph under railways, you say:

"The existing regulation of railways seems in general adequate."

A. Yes.

Q. You take the same position as the Canadian Manufacturers Association and say that the Railway Act in general works well?

A. Yes.

Q. The only thing that it lacks is a reparations section?

A. And the other thing which we refer to in our brief, authority over the railways so far as making savings is concerned.

Q. That is the Canadian National-Canadian Pacific Act; and you therefore suggest that if there was a similar Act applying in each province, for instance, to all the trucks, that would suit you?

A. Yes, similar regulations.

Q. Now, on that same page, under the heading of "Highway", in the second paragraph you say:

"A question which has been publicly raised is whether the Motor Transport Industry pays its fair share of the costs of highway construction and maintenance."

You say it should be established and made known. Now, do you think that motor transport should pay its fair share of the cost of maintenance of public highways?

A. Yes.

Q. I suggest that would be a pretty difficult thing to ascertain, as to what their share would be; would it not?

A. I think it could be ascertained. I think the Chevrier Commission investigated that and published some figures in that connection at the time.

Q. Do you think they would be able to carry on a profitable transport business at all if they had to pay their share of the cost of the building and maintenance of highways?

A. I do not know, but I imagine they would. They say they are doing so now.

Q. They say that they are paying their share now?

A. Yes. The motor carriers allege that, I believe. The point we make here is that it should be decided, by someone in authority, as to whether they are or not.

Q. Whether they are paying their share; and, if they are not, you think they should be.

A. Yes.

Q. Is that because they are in competition with the railways?

A. No, I think it is from thestandpoint of fairness.

Q. Supposing the highways are there not for motor truck transportation at all, but to enable people to go

back and forth, not with a view to carrying goods. The highways have to be there for that purpose.

Now, if those highways provide additional service to the public to enable trucks to use them to secure lower rates for the public, you do not think that matters?

A. I think, from the standpoint of fairness, they should pay their share.

Q. Because the railways have to pay for their railways?

A. Not only for that reason, as I said before, but from the standpoint of fairness.

Q. You think it is unfair that they should have the use of the highways without paying for it?

A. Yes.

Q. Now turn to page 5, to the second full paragraph from the top of the page. That is where you deal with and raise two points with respect to air transport and suggest that you are against the divorcement of air transport from any rail affiliation, and also against the monopoly of air transport, whether by government or by private interests?

A. Yes.

Q. Had you anything particular in mind there? Would you like to elaborate at all?

A. I think that what it says there is quite plain as to the meaning.

Q. You are just against monopoly of air transport?

A. Yes.

Q. And you think that any railway should be allowed to go into the transport business?

A. Yes, on the same principle of proving necessity and convenience to the public.

Q. And you also suggest, I think, that air transport should come entirely under the Board of Transport Commissioners?

A. Yes; that was our opinion.

THE CHAIRMAN: Isn't one of these statements too wide at present? On page 5, you say:

> "The policy recently announced by the Federal Government with respect to air transportation raises some apprehension in our minds, particularly as to the proposed divorcement of air transportation from any rail affiliation and the prohibition placed against any surface carrier entering this field."

MR. COVERT: We should bear in mind that that was written in 1946.

THE CHAIRMAN: Q. That is no longer a fact, is it?

A. No. That had reference at the time to a statement made by the Honourable Mr. Howe, I believe, prohibiting rail carriers from entering the air field.

MR. O'DONNELL: Q. But circumstances have changed now?

A. Yes.

MR. COVERT: Q. Turning to page 7; in the first paragraph you set out your principle again, and I

want to ask you, is uniformity in the provinces so important that, if you cannot get uniformity; then, in effect, your main position falls to the ground? Is uniformity of regulations in the various provinces so important that it is a major part of your submission?

THE CHAIRMAN: Q. That is, uniformity in all the provinces?

A. Of regulations.

MR. COVERT: Q. Yes?

A. Yes.

Q. That is the thing which you regard as important, that they all be similar?

A. Yes.

Q. And I suppose you urge that because of your later suggestion, perhaps, that you have through bills of lading and so on?

A. Well, I think it is advisable from all transportation standpoints in Canada.

Q. The determination of, perhaps, costs, reasonable rates, and so on?

A. Rates, rules, regulations, conditions of carriage, and so on.

COMMISSIONER INNIS: Q. Could you elaborate on that a little bit? When you talk about uniformity, you say it refers to rates, regulations and so on? Suppose one province has a great deal of paved highway and another province has very little; how would your uniformity work out?

A. We mean there uniformity of regulation. That is, with conditions of the bill of lading and carrier's liability and all those things which affect

shippers, they should be uniform.

Q. But surely the conditions under which trucks operate will vary greatly as between provinces, and very seriously affect the uniformity of regulations?

A. I cannot see why there should be any reason for difference in regulations on that account.

Q. Let us take rates, as I gather you would include rates?

A. I do not mean uniformity of rates.

Q. You do not?

A. No.

Q. I see. Then, what do you mean?

A. Uniformity of regulations.

Q. Along what lines?

A. Along the lines of regulations published, for instance, by the Department of Highways in Ontario, governing Ontario.

Q. That would be a sort of model?

A. Yes; and the conditions of the Railway Act, so far as rail carriers are concerned.

Q. I see. Now would you turn to page 8 under the heading of "Proof of Financial Responsibility," where you say:

> "Every carrier should be required to demonstrate to the proper public authority that it is in a position to discharge all obligations to the public that may arise in the conduct of its business, including insurance of goods, payment of workmen's compensation, etc.

I suppose that might be a little difficult for some small operator just starting out?

A. I do not think so.

Q. You do not think so?

A. No. He could handle it through insurance, I presume.

Q. You do not think that might have the effect of eliminating small operators?

A. I should say that there would be minimum requirements; and if he could not fulfil them, he should not be in business.

Q. I see. That, I suppose, is because the carriage of goods is so important?

A. That is to protect.

Q. You do not apply that to ordinary business?

A. No. But, as a League, we would apply it to public carriers.

Q. I see?

A. Yes.

Q. Just look at the second paragraph under your heading "Tariffs", Filing of Tariffs; and in the last sentence you say:

> "This action ensures that every user may have a knowledge of the lawful rates applicable on his shipments or on the shipments of his competitors. "

This action which you refer to is the filing of schedules of tolls?

A. Yes.

Q. Now, is it so important that every user must have knowledge of the lawful rates applicable on his

own shipments as well as the shipments of his competitors?

A. It is not absolutely essential that he know his competitors' rates, but in some cases it would be important.

Q. What you are suggesting is, for instance, suppose they were regulating trucks in the Province of Ontario. You say that every trucking concern would have to file its rates in some place where they would be available to everyone to look at?

A. Yes.

Q. So that a shipper could see not only what the company that he proposed to engage was charging, but what other trucking companies were charging on what, so that he could see what his competitor has to pay, perhaps, in some other locality?

A. That is the arrangement now with respect to the railways.

Q. And you say it should apply to all trucking companies?

A. Yes; the tariffs should be filed.

Q. I suppose there would be, perhaps, some truck regulations in Ontario envisaging a good many tariffs?

A. Yes, there would be a good many tariffs. But I think they could handle them the same as the railways do through tariff publishing agencies and reduce the number.

Q. A tariff fixed in one locality would be vastly different, in the case of trucking, than it might be in another locality?

A. Yes.

Q. For instance, where the roads were nice paved highways as compared to where there were merely dirt roads, there would be different tariffs?

A. We are not concerned with the rates, but with the principle that the tariff should be filed with the body which regulates them.

Q. You are not concerned with uniformity of rates, for instance, for trucks?

A. No.

MR. O'DONNELL: Q. You want them posted, as provided by Section 342 of the Railway Act?

A. Yes.

(Page 6007 follows)

MR. COVERT: Q. Now, on the same page 8, under your heading "System of Rates", you deal with the classification. I wondered if you wanted to express any views as to whether or not the existing classification, ten classes, is sufficient, or whether there should be more; if you are not prepared to discuss it, Mr. Paul---

A. Well, I am conversant with the present classification, and it seems to have fulfilled the needs for a great many years, but that is for class rates only. Of course, there are tariffs covering commodity rates as well as the ten classes.

Q. It was suggested, you know, I believe, that for example in the United States they have enlarged the number of classes?

A. Yes.

Q. I think they have increased them there to thirty, with the idea of eliminating commodity rates, and I thought perhaps if you had made a study of this thing you might give the Commission the benefit of your views?

A. I am not an authority on that. All I can say is that the ten classes have been satisfactory up to now, as far as I know.

Q. Then would you turn to page 9, under the heading of "Accounts", just below the middle of the page:

> "Each carrier should be required to keep accounts on some prescribed system"

and so on. I think I discussed that with you in the mimeographed section of the brief, but I wanted to find

out if you thought there should be uniformity in accounting for trucks, for example, but that might be different from the accounting for railways. I do not want to take you into a field that you are not prepared to discuss, Mr. Paul, and if you are not just tell me, but I wanted to find out whether you thought there could be a uniform accounting system for all forms of transport or whether you thought that there should be for trucks one form so that all truckers can be compared, for railways one form so that all --

A. I am not an authority on accounting, but I would think that would be necessary, a different accounting system for trucks and rails, but that the accounting system for each of those classes should be uniform.

Q. And I suppose that what the League has in mind is so they can find out really what it costs to carry goods; is that the object of it?

A. Well, the League is not interested in that at all; it is so that the body that regulates them will have that information, so that they can --

Q. Yes, I know.

A. That is our interest.

Q. And you think that they need this information?

A. We think they do, yes.

Q. To enable them to determine the rates?

A. Well, to determine the reasonableness of rates, yes; that is one of the items they would have to know.

Q. What I wanted to find out was the reason back of your recommendation. I mean, if it is for instance just to compare one railway with another, because we have a

Government railway and one owned by private interests --

A. The main object of our submission here is so that the bodies, Government bodies, that regulate these various carriers will have all necessary information that they need in order to determine whether the rates are reasonable or not.

THE CHAIRMAN: I think it just leads up to the next paragraph, on rate making -- rates should be established on the basis of cost.

MR. COVERT: That is what I was coming to. I wanted, Mr. Chairman, to ask him a few questions on cost and value.

Q. Are you prepared to discuss that, Mr. Paul, the question of costs and services as a basis for rate making? I am thinking of trucking particularly now; I can foresee some difficulty in fixing rates on the basis of cost and value for trucking. It would depend on so many things. For example, as I say, if you are locating in an area where there are good roads, as compared with an area where there are bad roads, you might have three trucking companies operating in three different towns close together, one carrying one type of traffic, another another, and another a combination of the two. Now, I will ask you first, do you think there could be any uniformity of rates for trucking under circumstances like that?

A. Well, we are not advocating uniform rates.

Q. But you would admit that there would be some difficulty?

A. Well, if conditions are different, yes, rates will be different.

Q. But do you think that they could base rates on cost and value of service in a case of that kind?

A. Yes, I think that should be the principle of the rate making.

Q. Now, have you followed at all the regulations in British Columbia?

A. No.

Q. Have you thought as to just what the cost of service means, whether it includes everything? I was wondering if you had followed at all the hearing in British Columbia; I understand that some of your associations have received copies of the evidence.

A. No, I have not.

COMMISSIONER INNIS: Q. Would you have any views on the filing of rates on trucks owned and operated by manufacturing or distributing concerns?

A. Distributing their own goods, you mean?

Q. Yes.

A. No, I would not think so. I would not think they would have to file tariffs in that case, if they are hauling their own goods.

MR. COVERT: Q. Do you think that a carrier should be compelled to carry anything that is presented to him, or should he be able to pick and choose?

A. A public carrier should carry everything that is offered.

Q. Everything that is presented?

A. Yes.

COMMISSIONER ANGUS: Q. You mean within the reasonable capacity of his truck?

A. Oh, yes, within his physical capacity.

MR. O'DONNELL: Not operate only on fine days.

THE WITNESS: No.

MR. COVERT: Q. Would you turn to page 10, the last paragraph before the heading "Connecting Services". You are dealing with compensatory tolls, and you say:

> "To avoid this we propose that an authorized regulatory Board, on its own motion or on complaint of any interested party, shall determine the cost of handling such 'competitive' traffic by the carrier desiring to participate in its movement, and that the cost so determined shall be the basis for the minimum toll which the intervening carrier may properly assess in the circumstances obtaining."

Now, you are talking about carriers competing with one another and getting into rates that are not compensatory:

A. Yes.

Q. And I take it that what you suggest is that in addition to being a ceiling for rates there should be a floor; is that so?

A. Yes; well, in meeting competition, we believe that a carrier must not participate in that traffic if he does so at a loss.

Q. When you say at a loss, do you mean out-of-pocket expenses?

A. The actual loss, yes, out of pocket.

Q. Now, in effect every time there is a competitive rate put in there would have to be an investigation as to the cost?

A. Well, not necessarily. If there is a complaint made there would be, yes.

Q. I think it was in the P.E.I. brief, the brief of the Province of Prince Edward Island, they suggested that not even God Almighty knew the cost of transporting certain goods a certain distance on the railways; do you think it is possible to determine these costs?

A. Well, it is difficult. I think it is possible to decide whether a rate is paying out-of-pocket expenses or not, but that is outside of my function. I think it is possible, and I think the Board of Transport Commissioners have a department there that can decide that.

COMMISSIONER INNIS: Q. That can decide, or can find out?

A. Can find out, and decide.

MR. COVERT: Q. The last thing I wanted to ask you, Mr. Paul, was in connection with the item "Connecting Services", the first paragraph:

> "Since many services are complementary one to the other, working agreements should be required which provide for the through movement under a through joint bill of lading where one regulatory body has jurisdiction and at joint rates where possible."

Now, you are thinking there, I assume of the limitations imposed by the basis on which you start out, that there is going to be one regulatory body in each province, and you apparently come to the conclusion that this only applies in that province where that particular board has jurssdiction?

A. I think the object of that paragraph is to afford the shipping public the convenience of through rates and through service wherever possible, whether it is by two or three various trucking companies in the same province or rail and truck if possible and so on. That is the object.

Q. But you have limited it to one province. You are not suggesting a joint through bill of lading going from one province to the other?

A. Yes, if that is possible.

Q. You say ". . . . where one regulatory body has jurisdiction. . . ."

A. Well, under the present, of course, that is only possible where you have one regulatory body.

Q. Your aim, then, I guess, is to have joint through bills of lading go from one end of the country to the other by trucks?

A. Yes, or rail and truck. Our object is to get the best possible service for the shipping public, and if possible on a through bill.

Q. Do you know whether or not they have these joint through bills of lading in the U.S.A. under the I.C.C.?

A. Yes, they do.

Q. They do?

A. They do now, yes.

Q. And that is why you suggest that they should be similar --

A. No, that is not why we suggest. This was written before they had that in the United States; but that is the object that the League would like to see.

Q. In the U.S.A. they have it, for instance, so that you can have a joint through bill of lading, you can get it from the train and then through to a trucking company?

A. Yes.

Q. And they have it from state to state there?

A. Well, this is interstate I am referring to.

Q. Interstate or intrastate?

A. Interstate.

Q. Interstate.

THE CHAIRMAN: Any questions?

CROSS-EXAMINED BY MR. McLEAN:

Q. Mr. Paul, you are President of the Traffic League; is that correct?

A. Yes.

Q. And that is not a full-time occupation, but you are the Chief Traffic Officer of Swift Canadian; is that correct?

A. I am Manager of the Transportation Department of Swift Canadian.

Q. Manager of the Transportation Department; and as such manager you deal with the transportation problems of the company from coast to coast; is that correct?

A. Yes.

Q. You have sub-officers, I take it, in Winnipeg, Moose Jaw, Edmonton, and so on?

A. Yes.

Q. Would that be common to a number of the members of your Industrial Traffic League, that they are traffic officers similar to yourself?

A. Some are, I believe, yes.

Q. Is the membership in your organization a corporate membership or is it the membership of individuals who are traffic officers or concerned with traffic problems?

A. No, the members are the incorporated companies that we represent.

Q. So Swift & Company would be a member; and I suppose you and the other members in the west and in the east would be entitled under that membership to attend the meetings and serve on committees and so on; is that correct?

A. Yes, but the company's name is Swift Canadian Company, Mr. McLean.

Q. Swift Canadian, yes. In the preparation of the material which is contained first of all in this mimeographed submission dated April 22, 1949, I assume that that is largely the work of a committee; is that correct, Mr. Paul?

A. The drafting was the work of a committee, but the policies which are covered by that brief were decided at the national annual meeting of all members.

Q. When was that?

A. That was February 11 and 12, 1949.

Q. And was there substantial representation from the Province of Manitoba?

A. Yes.

Q. From the Province of Saskatchewan?

A. Yes.

Q. And from the Province of Alberta?

A. I cannot say, Mr. McLean. In our organization we divide it into divisions, and we have the B.C. division, the prairie division -- the prairie division embraces Alberta, Saskatchewan and Manitoba -- the Ontario division and the Quebec division. Now, all divisions were represented at the annual meeting.

Q. Would it be correct to say, Mr. Paul, that the material in this mimeographed brief which is under the heading "(a)", that is, commencing at the bottom of page 1, where you say, "The League feels that the matter of statutory rates" and so on, and running through to the completion of that at about the middle of page 3, was in substantially that form and submitted to the meeting?

A. Yes; that was passed by the meeting.

Q. In that form?

A. In what form?

Q. In the form that it now appears in --

A. Yes, the policy outlined there was passed at the annual meeting.

Q. And did the western representatives attending that meeting discuss the matter of what is essentially an attack on the Crow's Nest Pass rate system? Was that discussed at your annual meeting and by representatives from western Canada?

A. The representatives were present when it was discussed.

Q. Did any of them speak to it?

A. As far as I know they did not.

Q. Did anybody speak to the question of first of all making an attack on the Crow's Nest Pass rates?

A. Well, now, we are not attacking the Crow's Nest Pass rates.

Q. Mr. Paul, we will make that inference. First of all it is an attack on the principle of the Crow's Nest Pass rates?

A. Yes, it is an attack on statutory rates.

Q. You say that if we need subsidies in western Canada, then we get them the same way as the Maritime Freight Rates Act gives them; is that right?

A. Well, we are objecting to the statutory rates which are outside the jurisdiction of the Board.

Q. Why is the Industrial Traffic League so concerned about statutory rates?

A. Because we believe that the fairest way for all rates is to have them under the jurisdiction of the proper regulatory body.

Q. Have you had any experience with the Board of Transport Commissioners of Canada in the matter of rate making?

A. I have had experience with them from time to time on -- yes.

Q. Do you know what their facilities are for checking on the adequacy of rates?

A. Yes.

Q. What facilities have they?

A. Well, they decidedthe general rates case on all information and evidence which they got, which was --

Q. Do you know what personnel they have -- statistical, accounting, economic, and so on?

A. I do not know their personnel; I know that they have a statistical department.

Q. Do you know whether they have a Chartered Accountant?

A. No, I don't.

Q. In your brief, on page 2, where you say, "Railway operating costs have increased tremendously since 1897," I think it would be a fair inference from your statement, Mr. Paul, to say --

THE CHAIRMAN: Mr. McLean, before you leave this question of statutory rates, I would like to ask Mr. Paul a question.

Q. You mention not only the Crow's Nest Pass rates but the Maritime Freight Rates Act?

A. Yes.

Q. Well, you know that the Maritime Freight Rates Act was passed by Parliament, and, as their statute shows, it was to provide that the Maritime Provinces should be given the benefit of certain expectations that were held out to them at the time of Confederation?

A. Yes.

Q. You know all that. Well, do you think that the Board of Railway Commissioners should be put in the position where it would decide things of that sort in fixing rates?

A. No, Mr. Chairman; there is a difference there.

Q. Yes, but you object to the statute, you say?

A. Yes; we object to statutory rates only so far as they are placed outside of the jurisdiction of the Board. The Board has --

Q. But your brief does object to the Maritime Freight Rates Act?

A. No, I beg your pardon.

Q. I am wrong, am I?

A. No, we do not. We mention the Maritime Freight Rates Act as a statutory Act which is subject to the Board and is subject to general increases, the same as other rates. We do not object to that.

Q. You do not object to that?

A. No. We are objecting to the principle of where statutory rates are not subject to the Board's jurisdiction.

Q. I see.

A. And just to that extent.

MR. McLEAN: Q. In other words, what you wish, and what your brief I think sets forth, is the adoption on the prairies of a comparable system to that in the Maritime Freight Rates Act; is that correct?

A. That would be preferable to the present, yes.

Q. Now, coming back to my question, on page 2 I notice you say:

> "Railway operating costs have increased tremendously since 1897,"

And then you refer to statutory rates outside the jurisdiction of the Board of Transport Commissioners, and then you say:

> ". . . . the traffic other than that covered by the Crow's Nest rates must bear the whole burden of the general increases."

Then you go on to say:

"The result is that the burden of the concessions granted when the Act was passed in 1897 has, by the change in economic conditions, been transferred from the carriers to the general users of the carriers' services."

Now, would it not be a fair inference that the League had in mind that, because of increased costs from 1897 to 1949, automatically you could say that the Crow's Nest Pass rates were not sound rates, were not compensatory rates? Isn't that what you are saying there?

A. No.

Q. It is not?

A. No. We are asking that the Board decide that.

Q. Well, do you say that they are?

A. Yes. We ask that the Board decide what are normal rates, if you will read on --

Q. But, Mr. Paul, if the evidence established that the Crow's Nest Pass rates were compensatory, would there be anything to justify the statement here that the result is that the burden of concessions granted -- now, you are talking about concessions -- has by the change in economic conditions been transferred from the carriers to the general users of the carriers' services? Now, if those rates were compensatory, that statement could not stand?

A. Well, the point there, Mr. McLean, is that in the 21 per cent general increase case, all rates throughout Canada were increased, with the exception of the statutory rates under the Crow's Nest Act, and the point there is that the railways by that general increase were

given the revenue that they required, and if the statutory rates had been subject to a general increase the general increase then would not have been as great; therefore the users of transportation other than traffic covered by the Crow's Nest bears the burden of the increase. That is the point there.

Q. Isn't it a fact that the producers, and the consumers as well, of western Canada, who enjoy Crow's Nest Pass rates or are entitled to Crow's Nest Pass rates pay their substantial share of increased costs which may be transferred to them by reason of the other rates being slightly higher?

A. I don't know. We would like the Board to decide whether they are or not.

Q. As a matter of fact, does this statement contained on page 2 of your brief, where you say "burden of the concessions" -- was it a concession, Mr. Paul, to western Canada that came about in 1897? Wasn't it a solemn agreement whereby the railway got something and then these rates were fixed, rather than to call them concessions? It was a covenant, an agreement, was it not?

A. Well, I don't know, Mr. McLean. I am not going to quarrel with you as to whether it was justified or not, but under that agreement the railways carried freight at a certain figure under the regular rates, but conditions since then have changed so that now the concession as referred to, that reduction in rates, is now being carried by the general users of transportation.

Q. Well, perhaps there might be some adjustment in

the rates if the railways would pay back some of the money that they received at that time?

A. Well, I will leave that --

Q. Wouldn't that be a fair way to deal with it? Why change one without changing the other?

A. Well, I will leave that problem with you.

Q. Now, Mr. Paul, on this question of increased costs, I suppose the costs of Swift & Company have gone up in the period 1897 to 1949, and prices also; but has there not been a substantial saving in technological advances in connection with all businesses, including railways?

A. Generally speaking I would say yes.

Q. And there is a great deal of difference in the railway cars, the motive power, and the handling equipment, between 1897 and 1949; isn't that correct?

A. Well, I am not an authority, but --

Q. Well, you know enough about Canada to know that there has been that improvement?

A. Yes, I think that is correct.

MR. O'DONNELL: That is why the Board fixed 21 per cent instead of 30, maybe.

MR. McLEAN: Q. And also an increased volume will give you a substantial profit with a less margin; isn't that another thing, too?

A. Oh, yes.

Q. Self-evident. Now, coming back to the matter of the printed document which you attach to your brief, I notice that that is dated June 5, 1944; I assume it was prepared just prior to that time; is that correct, Mr. Paul?

A. Yes.

Q. And was that also prepared with some collaboration with the Canadian Manufacturers' Association, which in December of 1944 published Industrial Canada, a submission?

A. No; the only thing there is, I have explained before that the same members of our League are also members of the C.M.A.

Q. And I suppose what would happen would be, some of the members of the committee of the C.I.T.L. would be also members of the C.M.A. committee?

A. Yes.

Q. And that accounts for the similarity of presentation and similarity of wording?

A. Well, I think the greater similarity is the fact that the principles are sound.

Q. Yes, but the words are quite similar too?

A. Sure.

MR. O'DONNELL: Truth must prevail at all times.

mr. McLEAN: Q. You can express a sound principle in quite different language, can't you?

A. Yes, that is right.

Q. Now, I take it, Mr. Paul, that a great deal of the livestock coming into the abattoirs of this country, particularly in and about Toronto and in and about Winnipeg, moves by truck?

A. I think a substantial portion of them, yes.

Q. And very little today from relatively long distances comes by train; isn't that correct?

A. You mean the shorter distances are mostly by truck?

Q. Mostly or almost wholly by truck?

A. Yes, that is pretty well right.

(Page 6024 follows)

Q I think that would be your experience here. Is that not right?

A Yes.

Q And I believe it is also your experience in Winnipeg?

A I don't know about Winnipeg.

Q But actually those hogs or cattle or sheep, or whatever they are, are moving down lines which parallel the railways, are they not?

A Some of them will, no doubt.

Q And from most of the points in Ontario, with a relatively short haul, a farmer could have his livestock at a station, could he not?

A Yes.

Q And a good many of these stations -- I don't know whether it is true here but it is in western Canada -- have a loading platform, a small stockyard, corral?

A At the railway station?

Q Yes.

A Yes.

Q That facility is there, and every day trains are coming down, and until the advent of trucks and better roads the livestock all moved that way? Is that not correct?

A Yes.

Q What is your view with respect to saying that here is something which will transport livestock from Orangeville to Toronto? Are you going to say that must not come down by truck? How are you going to decide the competitive feature as between the railway operating from

Orangeville to the Union Stock Yards in Toronto, and a truck coming from the edge of the town of Orangeville and carrying cattle?

A I do not get your point. We are not advocating anything like that.

Q But you are talking about the wasteful overlapping of common carrier transport services, and you are talking again in that principle about the inherent advantages of each type of transportation, that they should be recognized and preserved. I think there must be some explanation of what you mean by wasteful overlapping of common carrier transport services, because the railways and the motor carriers are common carrier transport services, and if a truck carries that stock down the railways do not have it, and they used to have it. There is a duplication there. There may be an explanation of how you would treat that. That is what I want from you.

A I am afraid you must have misunderstood our brief because the League is advocating the widest possible competition.

Q But what if the effect of the competition is that quite lucrative traffic drifts from the railways to the motor carriers with the result that the return to the railway becomes less? What is the answer to that? Is that not rather wasteful competition because you ultimately force up the railway rates?

A That is not the object of our brief.

Q But I think we are faced with that in Canada, Mr. Paul, that prior to 1925 or 1926 all of the traffic

moved, or largely moved - a great quantity of the traffic moved by rail, but since that time, and particularly in the thirties, the shift has been to the trucks with the result that the railways have suffered financially. Is that not wasteful competition?

A No, I would not think so.

Q Then if the trend is more and move to trucks on the high class larger rated stuff or higher rated stuff, what will the situation be in Canada? Can the railways operate economically without a heavier increase in rates?

A I am afraid I cannot answer that.

Q Then you do not think it would be the function of any regulatory tribunal to decide whether or not this was wasteful competition, and that therefore trucks should be barred on the run from Orangeville to Toronto for the carrying of livestock or anything larger than such and such a weight? You would not think that was the function of any tribunal?

A No.

Q Then even under your presentation we may have wasteful overlapping of common carrier transport services?

A The point there is that we maintain that before a carrier can start servicing, can start a service to the public he should have a certificate of necessity and public convenience.

Q That is a phrase which originally came from American legislation. It is in the I.C.C., and it is in the Ontario Motor Regulations, and a number of provinces. What do you understand as the meaning of that phraseology when I am coming before the Board to apply for a carrier's

certificate? What would I have to prove?

A You would have to prove your service was necessary, and also that it was a public convenience.

Q What would you mean by a necessary service? Suppose you take my example, Orangeville to Toronto, and there is a train coming down every day which will haul stock cars. What would you say as to the proof as between those two competing forms of transportation?

A Well, I could not tell you offhand, but if I was on the regulatory body I would consider the evidence and then decide. That is all that we as a League are asking.

Q But what if the evidence as to the reasons for the application was that it was ten cents by rail, that is, the existing rate was ten cents, and the carrier thought he could do it for eight cents, but he was taking all the business from the railway. Would you say that was a case of public necessity and convenience?

A Well, as I say, there would be a lot of other important facts that would have to come out. I could not answer that from what you have given me.

Q Just one or two other questions. In the regulatory detail which you set out in the appendix to the printed material you deal with the filing of tariffs, and I take it you want all to follow the machinery of the present Railway Act? Is that correct?

A So far as filing tariffs is concerned.

Q In other words, as you know, largely the Board concerns itself with fixing only standard rates? Is that not correct?

A Yes.

Q And upon which very little of the traffic moves?

A Yes.

Q And then you have properly picked out special or commodity tariffs, and competitive tariffs, and then the railways are free to fix those as they wish as far as getting traffic is concerned subject to undue preference. Is that correct?

A Yes.

Q And in order to attack any rate which is under the standard rate it is incumbent on the shipper to launch an application to challenge the rate. Is that not correct?

A Yes.

Q I do not think he can challenge a competitive rate, can he?

A Oh, yes.

Q He can?

A Yes - the railways would have to show that the competition --

Q You could not attack an agreed charge after it was put in, or do you know anything about it?

A I am not sure about that.

Q What I am interested in knowing is how you would integrate this matter of the filing of tariffs, following the Railway Act system, the matter of accounts which appears on page 9, the matter of the system of rate-making, the cost and value of service, and the matter of compensatory tolls? In other words, a carrier is going to operate, and he comes in and files a standard tariff

with a certain set of tolls, and they are approved. He immediately starts to file special commodity rates, and he files competitive rates. How would you put in motion the machinery to determine by the regulatory body whether this system of rate-making he was following was financially sound?

A He would be concerned with whether or not it was financially sound, and the shippers would be concerned as to the actual rates.

Q But with the average consumer, and the average small manufacturer, is he in a position frankly today to take any really intelligent and active part in challenging railway rates?

A Yes, if the tariffs are filed he can find out what the rates are, and with the regulatory body as we suggest he can file a complaint.

Q How many tariffs are filed, Mr. Paul?

A You mean in Canada?

Q Yes.

A I don't know.

Q There has been evidence before the Board of Transport Commissioners that there were upwards of two million with about 37,000 changes a year. Is it humanly possible, except for trained people employed for years to follow through these tariffs and work on them? Just be practical about it.

A Well, speaking for myself, as far as our company is concerned, we can find out what the rates are that we are interested in and follow them, and I suppose interested shippers could do likewise.

Q That, Mr. Paul, is by reason of the fact that you have people who are familiar with finding their way around tariffs. Is that not right?

A Yes.

Q And it is not an easy task to learn. How long would it take to teach a young chap of twenty-one years who went in there now to be familiar with these tariffs and find his way around?

A I don't know, but it is much better to have the tariffs so that they are there for anybody who can find it.

Q Oh, yes, I am not quarreling with you on that, but I am suggesting to you that our tariff system in Canada is highly complex and requires trained people to find their way around?

A To a certain extent I would agree, yes.

MR. O'DONNELL: Find their way to the railroad station and get a quotation any time.

MR. McLEAN: I have known them to make mistakes.

THE WITNESS: Yes, they make a lot.

CROSS-EXAMINATION by MR. FRAWLEY:

Q Is the Industrial Traffic League incorporated?

A No.

Q It is a voluntary association?

A Yes.

Q Have you a pamphlet or anything which indicates the aims and objects of the Association?

A Yes, I have.

Q Would you file it? I would ask, Mr. Chairman, that that be filed as an exhibit.

A Well, Mr. Chairman, I should like to file an up-to-date one.

THE CHAIRMAN: Very well, we will expect it from you.

THE WITNESS: I can leave this. The objects are the same. There will be no change in the objects.

MR. COVERT: We had better give it a number. It will be Exhibit 74. Would you just read the title of it?

THE WITNESS: The title is "Constitution and by-laws, Canadian Industrial Traffic League."

EXHIBIT NO. 74: Constitution and By-Laws, Canadian Industrial Traffic League.

MR. FRAWLEY: Q. How old is the organization?

A About twenty-eight or twenty-nine years -- I am sorry, thirty-four years old.

Q Thirty-four years old, and you have about six hundred members?

A Approximately, yes.

Q Have you got a breakdown by provinces?

A Not by provinces, but I can give you them by divisions. The League is divided into divisions.

Q You have a British Columbia division?

Aq Yes.

Q Just a few words about that. How many members there?

A Sixty.

Q And what have you there, a president or manager or something?

A We have a division chairman.

Q Who is the division chairman in British Columbia?

A Mr. D. C. Winslade.

Q What is his business?

A He is in the accounting department of Swift Canadian Company.

Q Now, there is the prairie division?

A Prairie division.

Q You have a manager there?

A We have a division chairman there.

Q Who is he?

A Mr. W. Pearce.

Q What is his business, his avocation?

A I don't know what his avocation is, but he is with D. Ackland and Son Limited of Winnipeg.

Q That is what I mean. They are wholesale distributors of hardware throughout western Canada?

A Yes.

Q Into Manitoba, Saskatchewan and Alberta?

A I believe so.

Q Do you have an executive group in each of these divisions or just a chairman?

A There is a division executive.

Q Would you be good enough to give me the division executive of the prairie division?

A The vice-chairman is Mr. J. R. Webster, British American Oil Company Limited, Winnipeg. The secretary is Mr. T. Partington, Maple Leaf Milling Company.

Q That is the executive committee for the prairie division?

A Those are the executive officers. There will be one or two other members on the executive of the division.

Q I was asking you about membership. You say there are sixty in British Columbia. How many in the Prairie division? A. Sixty-nine.

Q Sixty-nine in the prairie division. How many in Ontario?

A Three hundred.

Q How many in Quebec?

A. 144.

Q How many in the Maritimes?

A Well, the Maritimes is included in the Quebec division.

Q And in Quebec you said --

A 144.

Q And Ontario?

A 300.

Q You told me you did not know how many members you had in the province of Alberta?

A No.

Q Would I be right in telling you that there are about six?

A I think you are about right.

Q There is the traffic manager of Swift Canadian at Edmonton, Mr. Bohannan, the traffic manager of the fruit subsidiary of the Burns Company in Calgary, Mr. Hatfield?

A I don't know. I don't know all the members, Mr. Frawley.

Q But there would be about six?

A There are six or seven.

Q So the Association met on the 11th of February, 1949, and at that time they were aware that the Royal

Commission on Transportation was to sit.

A Yes.

Q And they decided they would make representations?

A Yes.

Q And when you told my friend, Mr. McLean, that the policy was discussed and the attack on the Crow's Nest Pass grain rates was to be a part of the policy, what precisely was put before the members?

A Well, the organization has standing committees on various transportation matters, and this particular subject was brought in by the chairman of the rates classification committee.

Q Who is he?

A Mr. Parker, Canadian Industries Limited,Montreal.

Q Of Canadian Industries Limited in Montreal?

A Yes.

Q Mr. Parker was chairman of the committee on drafting representations?

A No, various committees drafted recommendations, and he is chairman of the rates classification committee. His report was presented to the annual meeting and discussed under that item and the policy decided on.

Q Have you a copy of Mr. Parker's report there?

A No, I have not here.

Q Was there anything in Mr. Parker's report about the Crow's Nest Pass grain rates?

A Yes.

Q In the report?

A Yes.

Q That report was read?

A Yes.

Q You have that, have you?

A I have not it with me, but we have the report, yes.

Q Would you be good enough to send to the secretary of the Commission a copy of Mr. Parker's report, particularly the part that deals with the Crow's Nest Pass grain rates?

A If the Commission wants it we will send Mr. Parker's report and the verbatim copy of the discussion.

Q You have a verbatim copy of the discussion at the meeting on the 11th of February?

A Yes.

Q Now, my friend, Mr. McLean, asked you if there were any members from western Canada at that meeting?

A Yes.

Q Would you be good enough to recollect who was there from western Canada when the attack on the Crow's Nest Pass grain rates was discussed?

A Yes. I do not need to recollect. I can tell you exactly. There was Mr. Bolton representing the British Columbia division.

Q Mr. Bolton from Vancouver?

A Mr. H. H. Perry from Winnipeg.

Q What is Mr. Perry's business?

A Well, he is in the Manitoba cartage.

Q Manitoba cartage. Is that not a subsidiary of one of the railway companies?

A No, not that I am aware of.

Q Was it never a subsidiary of one of the railway companies?

A Not as far as I know.

Q I have some recollection about it, but I might be wrong. Let us get along. Who else was there from western Canada?

A I hope you are wrong because if he is he would not be eligible for membership. Mr. T. P. Partington was present. He is with the Maple Leaf Milling Company.

Q Mr. Partington.

A Mr. Stechishin.

Q Of the Vulcan Iron Works?

A Yes. Then there was Mr. Ainsworth.

Q Where is he from?

A From Lloydminster, Saskatchewan.

Q He is with one of the oil companies?

A Mr. Duholke representing some company in Saskatoon.

Q That was the total western membership?

A Five.

Q There was nobody there at all from the province of Alberta except if we take Mr. Ainsworth, and he lives in the town of Lloydminster?

A Yes.

Q I want to ask you whether or not the railways are admitted to membership in the Industrial Traffic League?

A No.

Q I did not quite understand what you said to Mr. McLean about the company being the member. Would you be good enough to explain what are the precise mechanics as to gaining membership in the Industrial Traffic League?

A The company has to apply for membership, and then they appoint a representative to represent the company.

Q But then the company becomes the member?

A The company is the member.

Q And they pay the fee, of course?

A Yes.

Q And then the traffic representative ordinarily attends meetings but he is not really a member of the League?

A Well, he is representing the member.

Q He is representing the member?

A Yes.

Q So when you come to a meeting, Mr. Paul, you are representing Swift Canadian?

A Yes.

Q Let us be clear about this. When the Industrial Traffic League puts forward this submission are they putting it forward on behalf of the corporations who are members of the Industrial Traffic League?

A They are putting it forward on behalf of the Canadian Industrial Traffic League members collectively.

Q That is not quite an answer to my question. Is this submission being put forward as a submission on behalf of the members, that is, the corporate members of the Industrial Traffic League?

A Yes.

Q Then has the Board of Directors of Swift Canadian Company of Canada endorsed this submission to this Commission?

A No. I do not believe they have read it.

Q You do not believe they have even read it, so we cannot say that Swift Canadian Company are making any attack on the Crow's Nest Pass grain rates?

A No.

Q Now then, is the Massey-Harris Company and the International Harvester Company and the John Deere Company and the Cockshutt Company - are they members of the Industrial Traffic League?

A I would have to look that up.

Q Just take one of them. Is the Massey-Harris Company a member of the Industrial Traffic League? You seem to have a lot of people here who are more or less associated with you, somewhat sympathetic anyway. Perhaps they can tell you.

A Yes, they are.

Q Would you say that the Massey-Harris Company endorses the attack on the Crow's Nest Pass grain rates contained in this submission?

A I don't know what you are getting at.

Q It is a very simple question. Is the Board of Directors of the Massey-Harris Company endorsing the submission which you have made to this Commission attacking the Crow's Nest Pass grain rates?

A I don't know whether or not their representative submitted it to the board of directors.

Q So you could not tell us whether or not the Massey-Harris Company supports this submission?

A No.

Q All right. And the railways have nothing

at all to do with the Industrial Traffic League?

A Absolutely not.

Q Except you are in constant contact with them, but that is the business of the League?

A Yes, we cooperate.

MR. O'DONNELL: For the purpose of obtaining rate information.

MR. FRAWLEY: Q. For the purpose sometimes of obtaining a concession on demurrage and that sort of thing?

A No, that is not the purpose of it.

Q For the purpose of obtaining some cars that are short and hard to get would you not telephone the traffic officer?

A No.

Q Do you mean to tell me that you have never phoned the traffic officer of a railway company seeking to get cars when they were short?

A Not through the League.

Q How do you do it?

A In my position with the Swift Canadian Company, so far as the Swift Canadian Company is concerned I would, but not for the League.

Q Mr. Paul, would you look at page 2 of your submission and follow with me while I read four or five lines on page 2.

THE CHAIRMAN: Are you talking of the brief?

MR. FRAWLEY: Not the printed brief. I start halfway down page 2 with the word "consequently".

".....consequently, the traffic other than that covered by the Crow's Nest rates must bear the whole burden of the general increases. The result is that

the burden of the concessions granted when the Act was passed in 1897 has, by the change in economic conditions, been transferred from the carriers to the general users of the carriers' services."

I pass to the next page, and I pick it up again where you make your recommendation in the middle of the first paragraph. You say:

"We, therefore, respectfully request that your Commission recommend in its report that the Governor-in-Council require the Board of Transport Commissioners to determine what are reasonable rates on grain and grain products in the territory covered by the Crow's Nest rates and that the difference between the statutory rates and the normal reasonable rates so determined be borne by the National Treasury similar to the Maritime Freight Rates Act."

Will you tell me whether or not those words were read to the meeting on the 11th of February, 1949?

A No, those words were not.

Q Now, I put it to you, Mr. Paul, that the Prairie division of the Canadian Industrial Traffic League has disapproved that brief?

A Yes.

Q That is right?

A Yes.

Q And they went so far as to request you not to present it to this Commission orally?

A They requested that, yes.

Q And they requested that you withdraw it from the Commission?

A They asked that, yes.

Q Now then, you told my friend, Mr. Covert, that you did not know whether or not the Crow's Nest Pass grain rates were paying.

A No, I am not in a position to decide that.

Q That is true. Therefore when you say that the traffic other than that covered by the Crow's Nest Pass rates must bear the whole burden of the general increases, is there not the plainest possible inference there that they are not paying their way?

A No, the inference there, Mr. Frawley, is that the general increases were applied only to a certain portion of the whole traffic.

Q That is right.

A And that if the general increase had been applied generally the increase would have been less than 21 per cent.

Q That is right. What you are complaining about, and what you say is that these Crow's Nest Pass rates must be, after somebody investigates them, put back and made normal reasonable rates?

A Yes, if they are found under that basis.

Q As traffic manager of Swift Canadian you are perfectly well aware that there are thousands of rates voluntarily established by the carriers which perhaps sometimes do not reach 50 per cent of what the rate would otherwise be?

A No.

Q You do not know that competitive rates are put in to meet truck and water competition which are only a

fraction of what the rate would otherwise be?

A Oh yes, yes.

Q Now then, to the extent that they have, by force of competitive conditions, given away a portion of their normal rate, can it not equally be said that the rest of the traffic, where these co petitive conditions do not apply, is bearing the same burden that you are talking about there?

A No, I cannot follow you there.

Q Let me see if I can make it a little clearer. In the province of Ontario particularly, where there is highly organized and very efficient truck transportation, rail rates have had to come down?

A Yes.

Q Down to just a fraction of what the rates were originally, and would otherwise be except for the highly effective competition?

A Yes.

Q I put it to you that the burden involved in the railways having had to give away so much of that revenue, is borne in those areas of Canada where rates are made on the what the traffic will bear principle. Do you agree with that?

A No, not altogether.

THE CHAIRMAN: Q. Would you say there should be compensation in that case paid by the public treasury to the railways?

A No, I would not say so.

MR. FRAWLEY: Why not? Why should the federal treasury not be called upon to make it up to the railways when they have been driven by force of

circumstances to do things which they otherwise would not like to do, that is, drive their rates down to perhaps just a compensatory level, and perhaps sometimes below a compensatory level. I don't know.

MR. O'DONNELL: You don't know any below.

MR. FRAWLEY: I have not found any, and nobody has ever said whether or not they were.

MR. O'DONNELL: Then don't suggest it.

MR. FRAWLEY: Q. You think that would not be a place for the federal treasury to come in?

A No.

Q But you do not think it is at all presumptuous to say so with respect to the Crow's Nest Pass grain rates?

A We say as a League --

Q As a League less the Prairie division of the League. That is right?

A No.

Q Well, the Prairie division has disassociated itself from this brief?

A That division afterward did, but their representatives voted for that policy.

Q Was there one man from the province of Alberta there?

A I have given you the names of the men who were there?

Q If there had been there might have been six people, one the traffic manager of the Burns Fruit Subsidiary, one the traffic manager of Swift Canadian, the oil man from Lloydminster, and perhaps somebody from the glass works in Redcliff?

A We would like a lot more members, but those were the only ones who were there.

Q How do you get your members, by a 50 cent fee?

A No.

THE CHAIRMAN: Mr. Frawley, we shall have to adjourn in a minute, but before we do so I should like to ask railway counsel to refresh my memory. Have either of the railway briefs so far filed raised any question about the Crow's Nest Pass rates being continued or discontinued? Is there any objection taken to them?

MR. SINCLAIR: It is covered in the Canadian Pacific brief, Mr. Chairman. It is covered in the Canadian Pacific Railway outline submission at page 25, paragraph 80. It reads:

"Canadian Pacific submits that it is desirable that freight rates in Canada without exception should in all respects be subject to the jurisdiction of the Board of Transport Commissioners."

THE CHAIRMAN: They make no specific reference anywhere to the Crow's Nest Pass agreement?

MR. SINCLAIR: We go on further.

"It is recognized that the national policy may require special assistance to the producers of grain in Western Canada, but Canadian Pacific submits that any relief given in this respect should not be at the cost of other users of railway services or of the railway companies."

THE CHAIRMAN: Pardon me, what follows from that? Do you intend anything to follow ?

MR. SINCLAIR: This is an outline, of course,

Mr. Chairman.

THE CHAIRMAN: Do you want to say how the loss should be met? Do you suggest any alternative? You say it should not be met by the company or by the shipping public.

MR. SINCLAIR: We say they may require it. We do not know whether or not they do, and if they do -- well, we do not say how.

THE CHAIRMAN: You do not say how?

MR. SINCLAIR: No.

THE CHAIRMAN: Has the C.N.R. said anything?

MR. O'DONNELL: We have nothing whatsoever so far as I remember at this time.

THE CHAIRMAN: We will adjourn until half-past two.

---The Commmission adjourned at 1 p.m. to resume at 2.30 p.m.

Page 6042 follows

Toronto, Ontario,

August 5, 1949

AFTERNOON SESSION

---The Commission resumed at 2.30 p.m.

GEORGE PAUL, recalled

CROSS-EXAMINATION BY MR. FRAWLEY (Cont'd)

MR. FRAWLEY: Mr. Chairman, I would like to interrupt my cross-examination of Mr. Paul to offer an exhibit which shows the Canadian Pacific ownership of truck lines in Western Canada. It is a chart, showing in graphic form and also by a table, the mileage which the Canadian Pacific now own.

MR. FRIEL: Have you copies of it for us?

MR. FRAWLEY: Yes. I have two.

MR. COVERT: It will be Exhibit 75.

EXHIBIT NO. 75 -- Filed by Mr. Frawley. Chart and table showing truck lines owned by Canadian Pacific in Western Canada.

MR. FRAWLEY: Exhibit 75 shows that in Alberta, Dench of Canada, now wholly owned by the Canadian Pacific, operates 1,271 miles. In British Columbia a Canadian Pacific truck subsidiary, the O.K. Valley Freight Lines Limited operates 237 miles. In Manitoba, a Canadian Pacific subsidiary, Canadian Pacific Transport Company Limited, operates 965 miles. And in Saskatchewan,

a Canadian Pacific subsidiary, Canadian Pacific Transport Company Limited, operates 273 miles, making a grand total of 2,746 miles.

The chart is faulty to this extent, that it does not show Vancouver Island. But the Commission will recall that in Victoria we were told that there is a company there called Island Freight Lines, which is wholly owned by the Canadian Pacific. So, in order to have the picture correctly, there should be added to these figures whatever mileage is operated by the Island Freight Lines, if that is the correct title of the company.

MR. SINCLAIR: That is close enough to it.

MR. FRAWLEY: And what is their mileage?

MR. SINCLAIR: It runs from Victoria to Nanaimo and out to Alberni and out to Courtney, and also out to Lake Cowichan, from a division on the main highway.

Is Mr. Frawley acting for the Canadian Automotive Transportation Association which, apparently, prepared this exhibit?

MR. FRAWLEY: I hold no retainer other than for the Province of Alberta and the people in the Province of Alberta.

MR. SINCLAIR: You are getting good service from Dench of Canada Limited.

MR. FRAWLEY: Q. Now, Mr. Paul, I was not any too clear this morning when you said that you charged a fee for membership, and I do not remember if I asked you what that fee was?

A. No, you did not; do you want to know?

Q. Yes, I do want to know.

A. It is $30 a year for an active member.

Q. $30 a year for an active member?

A. Yes, and $10 for an associate.

Q. Would you define them?

A. An active member means a parent firm with only one membership. But any firm which has one active membership can take out any number of associate memberships for their branch offices.

Q. That means sort of cheaper by the dozen?

A. No, by any addition over one.

Q. In the case of the Canadian Swift Company, Mr. Bohannan in Edmonton, your local officer, is a member; and the man in British Columbia is a member too, and they are associates, because you are an active member?

A. Yes.

Q. It would cost Swift of Canada how much to belong to the League?

A. I think we have got four associates, but I am not sure.

Q. Are all your local traffic members in the various areas of Canada members of the League?

A. No.

Q. Where is the exception?

A. We have not got one from Montreal or Moncton.

Q. And you have plants in Montreal or Moncton?

A. Yes.

Q. But you do not have those gentlemen members of the League?

A. No.

Q. And it would be a head office disbursement, I suppose? The membership fee in the Industrial Traffic League, in the case of Swift of Canada, is a head office disbursement?

A. I do not know, but it is paid by the company, anyway.

Q. Somebody in Toronto decided to have Mr. Bohannan as a member?

A. Actually they decide for themselves.

Q. Out there they decided?

A. Yes.

Q. How much revenue would you get in in a year? What would be the total income of this League, just approximately, within two or three hundred dollars?

A. I will have to ask our treasurer to give me a figure. I would say about $12,000.

Q. About $12,000 a year?

A. Yes.

Q. And your expenditures would run about how much?

A. Almost the same.

Q. Roughly, tell me what you spend the $12,000 on?

A. Well, we rent an office and we pay a general secretary and an assistant. Those are the major parts of the expenses.

Q. That would go pretty fast. You feel, Mr. Paul, that the Railway Act -- you told my friend Mr. Covert or Mr. McLean, that you have no quarrel, generally speaking, with the provisions of the Railway Act and the precedents which are laid down by the Board of Transport Commissioners?

A. Generally speaking, no.

Q. And that is the official attitude or submission of the Industrial Traffic League?

A. That is correct.

Q. I take it that you know that at page 54 of the judgments in the 21% case it was said:

> "It has been held time and again that rate-regulating commissions have no right whatever to attempt to equalize geographic, climatic, or economic conditions."

A. I believe that is correct.

Q. And you know that in western Canada we are very much concerned with the adjustment of our geographic, climatic and economic conditions?

A. I believe so.

Q. But the Industrial Traffic League, notwithstanding that feeling in the whole of Western Canada, is quite satisfied, not only with the statute, but with the precedents which are laid down by the Board of Transport Commissioners?

A. We take the position that geographic disadvantages should be adjusted by the Government and that they should be a charge on the country as a whole and not on a particular group.

Q. That is the official attitude of the Industrial Traffic League?

A. Yes.

Q. Which, at the moment, has six members in the Province of Alberta?

A. I will not concede that.

Q. You think that might be a little too many?

A. No, a little too less.

Q. How much less?

A. Maybe one or two, I don't know.

Q. How many are there in Saskatchewan, do you know?

A. No. I have given you the Prairie Division.

Q. But all your officers are in Manitoba. I wondered if you knew, roughly, whether Saskatchewan had more than half a dozen, or rather, Alberta?

A. No, I do not know.

Q. The little paper pamphlet attached to your brief was a submission made to the federal and provincial governments of Canada in 1944; and on page 3, I read:

> "The announcement of federal government policy as regards air transportation occasions this representation from The Canadian Industrial Traffic League. . ."

Is that correct?

A. Yes, that is right.

Q. And then, on page 5, you followed up by saying:

> "The policy recently announced by the Federal Government with respect to air transportation raises some apprehension in our minds,.... ."

That policy was the policy which refu to the Canadian Pacific Railway at that time the right to operate air lines. That was a policy laid down by the Honourable Mr. Howe, the then Minister of Transport?

A. He refused any rail carrier.

Q. But the particular rail company at that time was the Canadian Pacific Railway?

A. I think that is correct.

Q. Do you know of any other railway at that time which was refused the right to operate air lines?

A. No.

Q. I can understand the apprehension in the minds of the Canadian Pacific, but why was the apprehension in the mind of the Industrial Traffic League on the score that the Canadian Pacific was refused by the Government of Canada to operate air lines?

A. The League's general policy is against monopoly in transportation.

Q. You are very much concerned with the due regulation of truck transportation?

A. Of all transportation.

Q. That is not at all with a view to having a greater share of the traffic go to the railways?

A. No, no.

Q. Does the Industrial Traffic League ship very much goods by air?

A. No. The Traffic League does not ship any goods by air; but its members do.

Q. The greater part of the membership of the Industrial Traffic League, are they very large air shippers?

A. I do not know.

Q. Swift of Canada ships very few packing house products by air?

A. Very little.

Q. Turning to the matter of truck regulations, you are of the view that there should be such a measure of regulation as would require a trucker to apply for and receive a certificate of necessity and public convenience, as you call it, before being allowed to operate a truck line?

A. Yes.

Q. In the Province of Alberta, as you know, there are no truck regulations at all, ratewise or otherwise. You know that, do you not?

A. No.

Q. You know there is no trucker in Alberta who has to apply for, or hold, a certificate of convenience or necessity? You know that?

A. No.

Q. I will tell you, then, that that is so. I thought you would be better informed.

At the moment, if there were such a requirement, would it be possible for a trucker to obtain a certificate of convenience and necessity to operate a truck line between Calgary and Edmonton?

A. He would apply to the body which regulates the matter in Alberta, and produce his evidence.

Q. And he would have to show convenience and necessity, in order to operate a truck line between Calgary and Edmonton. And you know the rail situation there, do you not? Have you ever been in the Province of Alberta?

A. No.

Q. Oh!

A. I am very sorry.

Q. You better go out there and get a few more members for your Industrial Traffic League.

With the Canadian Pacific Railway operating the service which it does, between Calgary and Edmonton, and the Canadian National Railways operating the service which

they do between Calgary and Edmonton, I suggest to you it would never be possible for any trucker to obtain a certificate of convenience and necessity in order to operate a truck line between Calgary and Edmonton.

A. I do not agree with you. We have the same situation all over Ontario, but there are lots of truckers here.

THE CHAIRMAN: Could you find out for me what use is made of the word "necessity". It is a very strong word. "Convenience" is different.

MR. FRAWLEY: Q. If we had a situation where there was a new set-up in Alberta, with a board which would issue this sort of certificate, and all the truckers were washed out, they would have to go to this board and get this certificate of convenience and necessity. Now, how would I, as applicant No. 1, to operate a line in competition with the Canadian Pacific Railway and the Canadian National Railways and the Trans-Canada Air Lines -- how would I be able to show it was necessary for truck operations to take place between Calgary and Edmonton?

A. Assuming that you were the only applicant?

Q. Assuming there are a dozen, if you like. How would anybody show there was any necessity, in view of the very fine service which Mr. Sinclair's company and Mr. O'Donnell's company are now rendering?

A. That would be for you, as a trucker, to figure out. But I, for one, would show that there was no truck service in fact, at the present time, and that truck

service was necessary and desirable.

Q. How would you show it was necessary?

A. Because service by truck would compete differently to that by rail.

Q. How would it compete differently? Is there not a pick-up and delivery service there at the present time? Would it not amount to a duplication of service?

A. No. I would not say the same kind of service, no.

Q. I put it to you now: that this applicant would have to show necessity. How would he show necessity -- not convenience - but necessity?

A. He would have to produce his evidence, and, personally, as far as the League is concerned, in our brief, we are laying down fundamental principles; and these details are matters for the regulatory board. to decide.

Q. I put it to you with all respect that it is not a detail at all but rather a fundamental principle. You say I would have to hold a certificate. Somebody would have to certify that it was a matter of convenience and necessity for my trucks to operate between Calgary and Edmonton. Now, how would I go about satisfying that regulatory board that it was necessary that I operate those trucks, in view of the service now being supplied by the railways?

A. They have such regulations in effect, I believe, in British Columbia and in Ontario. It works very satisfactorily in those places.

Q. Can you tell us anything more about it? I

want to give you every opportunity to inform the Commission as to how this applicant in Alberta would show that necessity. I am only speaking of one small part of Canada, between Calgary and Edmonton, where there are trains every two or three hours.

A. I do not think you would get your shipments between Calgary and Edmonton every two or three hours.

Q. You would get them as often as the Canadian Pacific wanted to run trains.

A. By freight?

Q. Yes, by freight.

A. Every two or three hours?

Q. With pick-up and delivery, as often as they wanted to run them.

A. You will pardon me for doubting that kind of service, because I do not think they have such a thing.

Q. They own the rails and the equipment; and I do not know of any limitation on the number of times they want to leave Calgary and Edmonton respectively, and I put it to you, in that sort of situation, how would an applicant for a trucking certificate show necessity? You may add to what you have said.

A. Well, first of all, they could solicit a number of shippers and find out if they wanted a trucking service.

Q. Maybe that might be convenient.

A. They could prove necessity from that, because the dealers and shippers might produce the evidence that a truck service is necessary.

Q. Does convenience mean the same thing as necessity?

A. No.

Q. What is this extra element which must be proved before you can get necessity established, over and above convenience?

A. If there is a service there which is necessary, such as a truck service, that they have not got at the present time.

Q. How can a truck service be necessary when the goods can be delivered at the door of the receiver by the Canadian Pacific freight service and delivery service?

A. Because the type of service is different.

Q. But what is different about it? What is the difference in the type of service which Dench of Canada Limited could furnish, and the kind of service that the parent company, the Canadian Pacific, with its pick-up and delivery trucks, would furnish?

A. I do not know about Alberta, as you have already noted; I have never been there. But in Ontario, for instance, Mr. McLean mentioned livestock. We have truck service in Ontario for livestock with which the railroads cannot compete.

Q. You say they cannot compete?

A. No.

Q. Why?

A. Because their service isn't nearly the same as by truck service.

Q. Does the railway company not furnish pick-up and delivery service of livestock?

A. They handle it by carloads only; and even in carload service there is quite a difference between

rail service and truck service.

Q. You have delivery of livestock to stock yards and packing plants in Alberta?

A. That is the only one subject with which I am sufficiently familiar so that I can use it as an example.

Q. Can you not give me another two or three?

A. No, that is the only thing I am familiar with.

Q. Just with livestock?

A. The same thing applies to meats.

Q. To packing house products?

A. Yes.

Q. Is there any reason why the Canadian Pacific pick-up and delivery service could not deliver packing house products from your plants at Edmonton, Red Deer, Carstairs, or any place you like?

A. I will give you instances in Ontario.

Q. But I am not very much concerned about Ontario.

A. I cannot answer you for Alberta.

Q. Well, if you want to talk about Ontario, keep on talking.

A. The principle is the same whether it is here or in Alberta.

Q. I am talking about the application of your system of regulating truckers, as it would be applied to Alberta, where there are no such regulations at the present time.

A. The principle would be the same as we have here.

THE CHAIRMAN: Q. Is this principle of necessity and convenience applied in Ontario, do you know?

A. I believe so.

Q. Do you know of any case where a licence has been refused on the ground that it was not necessary or not convenient?

A. I think you will find many on record.

MR. McLEAN: They are refused, Mr. Chairman ---

THE CHAIRMAN: Q. We had one case in British Columbia where a licence was refused on the ground that the railway was carrying on the service with efficiency and that it was not necessary to license a trucking company. Do you know of any such case here?

A. I do not think so. I do not think the Ontario Board apply it in the same way.

MR. FRAWLEY: Q. Would not that be a very excellent reason why a certificate should be refused, because the perfectly adequate rail service was there already?

A. No, I would not say so in every case. But I do not know the circumstances of the cases mentioned.

Q. Do you know anything at all about the result of unregulated truck competition in Alberta in bringing down rail rates between Lethbridge and Edmonton?

A. No.

Q. Your Swift Canadian people have never reported to you that the railways put in a 39¢ rate between Calgary and Edmonton on the first four classes?

A. But that has been taken out now.

Q. But they did put in a rate of 39¢?

A. Yes.

Q. That was for the purpose of destroying truck competition, I am told; would you agree with that?

A. No. I understand it was to meet truck competition.

Q. Yes, to meet truck competition by destroying it. Have you any contrary view about it?

A. Well, I don't know enough about ---

Q. Do you know what the normal rate was when they put in the 39¢ rate?

A. I do not know offhand.

Q. I put it to you that it was about 75¢.

A. First class, maybe.

Q. Can you tell me whether it would be for the purpose of meeting competition or destroying competition to put in a rate of 39¢ to meet a rate of 75¢?

A. I do not know. All I know is, the tariff was put out as a competitive rate.

(Page 6059 follows)

Q. I think you told Dr. Innis this morning that you believed in regulation of trucks, not so much rate-wise but in other respects?

A. And ratewise too so far as filing tariffs.

Q. Apart from filing tariffs, other matters of regulation you think might very well be uniform throughout Canada?

A. Yes.

Q. And you put it to me, Mr. Paul, that whatever regulations are adequate and proper for the run between Montreal and Toronto would be equally adequate for the run between Edmonton and Lac Labiche?

A. Yes, the regulations; not the rates, perhaps, but the regulations, yes.

Q. Now, when you say regulations, what do you mean?

A. I mean terms of bill of lading, carrier's liability, C.O.D.'s and such like.

Q. You think that you could impose upon that undeveloped country the same sort of truck regulation as you can between the cities of Montreal and Toronto?

A. Yes, so far as those points are concerned.

Q. Would you say that was the view of the Industrial Traffic League?

A. That is the aim of the Canadian Industrial Traffic League.

Q. Have you had any complaints from the half dozen members of the Industrial Traffic League in Alberta that there is anything wrong, any evil involved in the practice of truck operations in Alberta today?

A. No.

Q. Now, Mr. Paul, I would like to ask you about this matter of reparations. Just let me put to you a specific instance, because I want to be certain that I understand what you mean. Will you visualize with me a shipment of packing house products from your plant in Edmonton to Grande Prairie, Alberta, over the Northern Alberta Railway; the shipment is consigned to a wholesale meat distributor in Grande Prairie, it is unloaded and delivered to retail stores, it is sold to the consumer and the transaction is completed, and after six months it is discovered that the rate was wrongly charged and an application is made for reparation. How would you handle a situation of that kind, and where would the reparation go, where would the award go?

A. The award would go to whoever paid and bore the freight.

Q. I am putting it to you that the freight was paid, as it always is paid; these goods would be consigned to a retail dealer in the Town of Grande Prairie, and obviously paid by him, not by Swift Canadian?

A. Yes.

Q. And then that retail merchant sells it to the consumers in the Grande Prairie district, and they pay for the meat and for the freight attached to it; that also is right, isn't it?

A. Yes.

Q. Now, under those circumstances you sue for

an award and you get an award, and where would the money go?

A. Well, under these circumstances we would not sue for an award.

Q. Well, who would sue for an award?

A. Whoever had an interest, would be the consignee.

Q. I cannot put it to you any more clearly. You say the consignee would sue?

A. Yes.

Q. Should the consignee get that award and put it into his profit and loss account?

A. Provided he met with the requirements.

Q. Would there be a requirement requiring him to account to all the people he sold the meat to?

A. No, but I believe one of the requirements would be that he proved that he paid and bore the freight. He could not certify that he bore the freight under your circumstances.

Q. So in all such circumstances there would be no reparation?

A. I believe so.

Q. Now, Mr. Paul, would it be possible for you to file a brief memorandum showing the membership of the Canadian Industrial Traffic League divided by provinces?

A. We could.

Q. I don't mean this afternoon, but I mean would you be kind enough to do that, as a matter of convenience if not necessity?

A. The number of members by provinces?

Q. Yes -- the number of members in the provinces

of British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, Ontario, the three Maritime Provinces and the Province of Newfoundland?

A. I think we can get you that.

Q. Thank you very much.

THE CHAIRMAN: Any more questions?

CROSS-EXAMINED BY MR. SPENCE:

Q. Mr. Paul, commencing at the bottom of page 1 of your mimeographed brief and running on to the middle of page 3, you speak of the Crow's Nest Pass rates. I take it that really the essence of your submission is that, due to increasing costs since 1897, the indication is that the Crow's Nest rates fail to bear their fair share of the transportation burden?

A. No, we do not say that, and I would like to express here and make clear just what the League's position is in that respect. Mr. Frawley, I believe, said a number of times that we are attacking the Crow's Nest rates.

MR. FRAWLEY: That is what I said.

THE WITNESS: And we are not. We are attacking the principle of statutory rates, which are beyond the jurisdiction of the Board, and that is the only type of statutory rates that we are opposing.

MR. SPENCE: Q. Well, are you suggesting, however, that some investigation should be made to determine whether these rates are unduly low?

A. Yes.

Q. And if they are unduly low, it appears from your brief that your submission is that the reason is

that they are statutory rates and not rates under the Board of Transport Commissioners?

A. I am not sure if I have got your question.

Q. If the Crow's Nest rates are unduly low, the reason for that is that they are statutory rates, not under the Board of Transport Commissioners; in other words, they are fixed and cannot be raised when the Board of Transport Commissioners raises other rates?

A. Yes.

Q. Then it would be logical, would it not, to rectify that situation by bringing the rates under the Board of Transport Commissioners?

A. Yes.

THE CHAIRMAN: Pardon me a moment. Do you mean to say that is substituting rates to be fixed by the Board for the present statutory rates fixed by law?

MR. SPENCE: Yes, my lord.

THE CHAIRMAN:Q.That is what you want done, Mr. Paul -- have the statute repealed and these rates, like all other rates,thrown into the Board's hands?

A. Yes, and any --

Q. Yes, that is what Mr. Frawley said you wanted, but I thought you said you did not want that.

A. No. We want the statutory rates, all statutory rates, made subject to the jurisdiction of the Board, so that they can be included in any general increases.

Q. Well, they would then cease to be statutory rates?

A. Yes; and then any assistance due to geographical situations should then be paid from the National Treasury, so that it will be equally borne by everyone in Canada instead of just one section.

Q. Then is this your attitude, that instead of the benefit of the Crow's Nest Pass rates the wheat grower should receive a subsidy from the Dominion Government on the shipments of wheat?

A. That would be preferable to the present system.

Q. That is what you want?

A. Yes.

MR. SPENCE: Q. Then the first step, Mr. Paul, would be to determine whether or not the Crow's Nest rates are unduly low?

A. Yes.

Q. And secondly what the reasonable rates would be for the carriage of grain and grain products?

A. Yes.

Q. Now, in the last paragraph on page 2 of your brief you suggest, just as Mr. Brown suggested yesterday -- I don't know whether you were here when Mr. Brown gave his evidence?

A. No, I was not.

Q. But I think this point is contained in his brief and also in yours, that is, that the difference between the existing level of the grain rates and what might be called the normal level should be borne by the National Treasury?

A. Yes.

Q. And as the machinery for accomplishing that

result you suggest that the principle contained in the Maritime Freight Rates Act should be applied?

A. Yes.

Q. Now, as perhaps you know, the Canadian Pacific has expressed itself in its outline brief as being opposed to the extension -- that is, the extension to other parts of Canada -- of any legislation in the pattern of the Maritime Freight Rates Act?

A. Yes.

Q. The Canadian Pacific believes that there are very serious dangers and disadvantages in the extension of that principle, and the question that I would like to ask you is this: whether the adoption of the Maritime Freight Rates Act principle is a fundamental part of your plan or whether, if the same end result could be obtained by some other method, it would not be at least as satisfactory?

A. Well, our brief does not specify that we would like it handled like the Maritime Freight Rates Act. We feel that the evil in the statutory rates is the fact that in the case of any general increases those statutory rates are exempt, and that the difference then or the cost must be made up by the shippers of other freight in Canada.

Q. Quite so.

A. That is our fundamental objection. We believe, however, that where any assistance is required in that respect due to geographical distances and so on, whichever scheme Parliament in its wisdom decides to do would be satisfactory; as to whether or not it is done by way

of something similar to the Maritime Freight Rates Act or some other kind of subsidy, we are not concerned.

Q. Now, returning for a moment to the last sentence in the first paragraph on page 2 -- and this sentence has been referred to several times today -- you say:

"The result is that the burden of the concessions granted when the Act was passed in 1897 has, by the change in economic conditions, been transferred from the carriers to the general users of the carriers' services."

THE CHAIRMAN: Pardon me; 1927?

MR. SPENCE: 1897.

THE CHAIRMAN: 1897; that is when the agreement was entered into, is it?

MR. SPENCE: Yes, my lord.

Q. Now, leaving aside the question of whether the burden of the concessions on the Crow's Nest Pass basis is being borne by the carriers or by other than the grain shippers, you are aware, are you not, that by virtue of the statute of 1925 and the Order of the Board in 1927 the concessions that were granted to western grain producers were increased many times through the extension of the area to which the Crow's Nest Pass rates were made applicable?

A. Yes.

MR. FRAWLEY: Mr. Spence, would you call the witness's attention to the fact that at the very same time all the westbound rates were dropped out, all the westbound concessions were dropped out?

THE WITNESS: Yes, there were other commodities dropped out.

MR. FRAWLEY: Yes, a good many.

THE WITNESS: Yes.

MR. SINCLAIR: My lord, what really happened was that an agreement in 1897 which was confirmed by statute was supplanted and overridden by a statutory provision in 1925, which superseded the agreement, but held the level of three cents below the rate that was in existence in 1897 on the movement of grain to Fort William and points east thereof. Now, in 1927, on a claim of discrimination from the ports of Vancouver, those same exceedingly low levels of rates for the movement of grain were applied to Pacific coast ports for export, and so therefore the Crow's Nest Pass basis of rates is now dependent on a statute and not dependent upon any agreement that was entered into between the Canadian Pacific Railway Company and the Government of Canada.

THE CHAIRMAN: That is right; the extension is statutory. What section of the Railway Act is it now?

MR. SINCLAIR: Section 325, subsections 5 and 6; that takes away from the Board, gives the western grain producer a special concession, taking away from the Board any jurisdiction over traffic moving, this tremendous amount of traffic moving, at these special rates.

THE CHAIRMAN: I suppose we will hear from you at the proper time and place whatever you have to say.

MR. SINCLAIR: Well, I merely thought it would be helpful, to think that my friend would agree --

THE CHAIRMAN: Yes, it is helpful. I mean to say, we will hear more on the matter.

MR. SINCLAIR: No doubt Mr. Frawley will have something to say.

MR. FRAWLEY: I think Mr. Frawley will have something to say, after Mr. Sinclair.

THE CHAIRMAN: I suppose you will have something to say too.

MR. SINCLAIR: I have no doubt, my lord. I have no specific instructions.

MR. SPENCE: Mr. Paul, you said something this morning that I may perhaps may have misunderstood, when you were being questioned by Mr. Covert. I understood you to say that your League was not interested in the rates charged by truckers; that, I take it, is not altogether the case, in view of what you say on page 8 of the pamphlet attached to the brief, under the heading "Filing of Tariffs". You will notice that in the last sentence of the second paragraph under that heading you say:

> "This action ensures that every user may have a knowledge of the lawful rates applicable on his shipments or on the shipments of his competitors."

I understand that you do feel that it is very important that every user of railway services shall at all times be assured of what the rates are upon which he is able to move his goods and his competitor is able to move his goods, whether they are truck rates or railway rates?

A. Yes. The League is interested in trucking rates,

sir, but I think the question was put to me about the uniformity of rates. The League is not seeking uniform trucking rates. We are seeking uniformity in regulation, and that so far as truck rates are concerned they be filed in tariff form and posted with the regulatory body.

Q. Perhaps I understand better now, then. What you are really interested in is not so much uniformity of rates as stability of rates?

A. That is right.

Q. Then how do you suggest that any such assurance will be possible if the principle of reparations is adopted in this country? What I mean is this: for example, what is to prevent one of your competitors from gambling upon his belief that a certain rate is unreasonable and so underbidding you in a distant market over a long period of time before he files his claim for adjustment?

A. I do not think there is any need for any apprehension there. The question of reparations will only affect rates which the applicant proves are unreasonable or discriminatory.

Q. Quite so; but if your competitor has some reason to believe that a rate that he is paying can be proved to be unreasonable, can't he go on for a period of time and quote prices in distant markets, on a gamble admittedly, but on the gamble that he can eventually prove to the Board that that rate is unreasonable, and meanwhile take the business away from your company?

A. I think that reasoning is a bit far-fetched. I know we would not do it.

Q. I was not suggesting that you would do it, Mr. Paul, but --

A. Well, I don't think --

Q. -- have you looked into the situation in the United States, where reparations are?

A. Yes.

Q. And you have not found that any practice of that kind has ever --

A. No, I do not think there is very much -- in fact, I do not think there are any cases of abuse there. The regulations are pretty strict.

MR. O'DONNELL: I think, Mr. Chairman, most of the questions I would have asked were asked of Mr. Brown yesterday; in the circumstances I have very few.

CROSS-EXAMINED BY MR. O'DONNELL:

Q. Broadly speaking, Mr. Paul, your League, I take it, thinks that it is unfair that the railways should be forced to compete, under very regulated circumstances and rate tariffs, with truckers and other carriers who are not regulated; isn't that the situation?

A. Well, our position is not governed by any consideration of the railways. We base our presentation on what is sound, and we believe that trucking rates should be filed and posted, similar to the railways.

Q. In the same way the railways do?

A. Yes, but not for the reason that the railways have to file tariffs.

Q. But isn't the effect of it that as it stands

at the present time the railways are forced to compete with trucks, the railways being regulated and the trucks being unregulated?

A. Yes.

Q. It is like asking a boxer to step into a ring with one hand tied to fight a boxer who has both his hands available?

A. Well, it is not for that reason that we are asking for this.

Q. But that is the result, isn't it?

A. It is because we find that the system under the Railway Act is sound, and we believe it would be sound also to extend that same system to trucking rates.

Q. And that would make for a better over-all picture?

A. Yes.

Q. A better over-all service?

A. Yes.

Q. More economically sound?

A. Yes.

THE CHAIRMAN:Q.Well, do you find that your members are suffering from the present condition of affairs, paying more than you ought to be paying for transportation?

A. The situation now, Mr. Chairman, is --

Q. It must be concern for somebody, not purely abstract principles?

A. The situation now, Mr. Chairman, is that we do not know what one another are paying. Trucking rates in the provinces where there is no regulation or no

tariff filing, we do not know what competitors are paying or what anybody else is paying.

Q. You are speaking just now as shippers yourselves; that is your idea?

A. Yes.

Q. You are not interested in what the railways are earning or what anybody else is earning?

A. No.

Q. You are talking as shippers?

A. That is correct.

Q. And users of transportation?

A. That is correct, sir.

MR. O'DONNELL: Q. Now, with respect to reparations, Mr. Paul, would you concede that if there would be reparations on the one hand in favour of the shipper there should be a similar relief for the railway in the case that the railway might have made a mistake and the rate was published too low? Would it work in reverse, as Mr. Brown agreed, I think, it would or should?

A. Not if you have a published rate, I shouldn't think.

Q. Well, if there were an error made in the publication of the rate?

A. Oh, yes.

Q. Then the railway, in your view, would be entitled to ask the shippers for whom they had carried commodities to pay what should have been the proper rate?

A. Yes, if they can prove there was an error in publishing.

Q. I see. Now, in connection with the questions which Mr. Frawley asked you regarding the words "paid and bore the freight", I think you agreed that the certificate as to the bearing of the freight would narrow the number of cases down very considerably where reparations might be involved?

A. Yes.

Q. And, as a matter of fact, through the years, and particularly since 1903, when the Board of Transport Commissioners or their predecessor boards were set up, there have been relatively only a few isolated cases among the many millions of rates which have been in operation where the Board commented on the inability to order reparation?

A. Yes, that is true, of the cases that have come before the Board.

Q. Now, you used this morning the words "normal and reasonable rates". Am I to take it that by the use of those words you mean what the Railway Act calls just and reasonable rates:

A. Yes.

Q. You use those expressions synonymously with "just and reasonable"?

A. Yes.

Q. You also made reference on page 4 of your brief to the Canadian National-Canadian Pacific Act, and you suggested, I think, that the Board of Transport Commissioners should be given some jurisdiction in connection with the matters referred to in that Act. Are you familiar with the terms of the Act? Have you looked

at it very closely?

A. Well, I have read it, but I am not very familiar with it.

Q. Well, you realize, I take it, that under that Act Parliament has reserved unto itself the matter of reporting to it concerning co-operative measures, and that each year under the provision of section 14(1) an annual report is to be made to Parliament setting out in a summary manner the results of the operations under that Act. Do you suggest that that should be changed, and that Parliament should no longer have the right to review that type of co-operative measure?

A. No; I should think that if Parliament wishes to review it they are perfectly entitled to do so, but I think the Act should be supplemented giving the Board power to enforce economies where they are possible and feasible -- that is, should there be any dispute between the two railways.

Q. But you know also that there are further provisions of the Act, where there are disputes, or where disputes might arise between the railways, whereby those disputes can be arbitrated; have you looked at those provisions?

A. No, but I still think, speaking for the League, that the Board would be the best body to decide.

Q. Well, do you realize that the Chairman, the Chief Commissioner of the Board, acts as presiding officer in case of any disputes? You know that, do you?

A. No.

Q. Well, section 17 and following set out in some

detail the matters concerning arbitration in case of disagreement between the railways -- that is Part III of this Act -- and the powers in section 18, sub-section 2, are as follows:

"The powers of the Tribunal" --

That is, the arbitration tribunal, with the Chairman of the Transport Commissioners presiding --

"may be invoked by either Company by written application to the Chief Commissioner setting forth in a concise and summary way the subject matter of the dispute. The name of the representative of the company making the application shall be notified to the Chief Commissioner concurrently with the making of the application. A copy of the application shall forthwith be sent to the other company with a request for the appointment of its representative, and such company shall nominate its representative within ten days from the date of receipt of the copy of the application."

Now, that provides machinery for the arbitration in case of dispute, where the one company wished to enter into a co-operative measure and the other company did not?

A. Yes.

Q. Would you not think that that type of arrangement is satisfactory, particularly when we realize that later on section 22(1) provides for the enforcement of the orders of the tribunal? It reads as follows:

"An order or decision of any Tribunal shall be binding upon the National Company and the Pacific Company, and shall have like force and

effect as an order of the Board of Railway Commissioners for Canada made in a matter falling within the Board's jurisdiction, and may be enforced as if it were an order of said Board, and all the provisions of the Railway Act in respect of orders of the Board and their enforcement shall apply mutatis mutandis to an order or decision of the Tribunal."

Wouldn't you think in the circumstances, with all those provisions, and the fact that each year the railways report to Parliament directly, that those provisions of the C.N.-C.P. Act are sufficiently adequate as they stand?

A. Well, of course, under these present regulations it would mean that either one of the roads would have to appeal and go through all that machinery.

Q. Yes?

A. And probably that is a deterrent to getting some necessary or feasible economies. The League feels that it would be better to have the Board check into these matters and give them the power to decide just the same as they do rate cases.

THE CHAIRMAN: To decide what? You see, I think what Mr. O'Donnell is giving us is what occurs when the two railways do not agree. Is that right?

MR. O'DONNELL: That is right.

(Page 6077 follows)

THE CHAIRMAN: An arbitration is constituted.

Q I think you have in mind there some member of the public thinks that both railways are at fault in not cooperating. Is that right?

A I think, Mr. Chairman, that is the prevalent feeling, that perhaps the present machinery is too ponderous or something. At any rate, there has not been very much gained with respect to this cooperation under that Act for a great many years.

Q The Act directs the railways to endeavour to cooperate.

MR. O'DONNELL: That is right.

THE CHAIRMAN: Nobody is allowed to disobey an Act of Parliament without suffering retribution.

MR. O'DONNELL: Each year they must report directly to Parliament as to what they have done.

THE CHAIRMAN: There is a section of the Criminal Code about that.

MR. O'DONNELL: I know that during the war years, as you will understand, the railways may have been busy like other people with matters other than all the matters set out in the Act, but the Act has this further provision. It is an amendment to section 16, subsection 6, and it reads:

"It shall be the duty of the National Company and the Pacific Company, for and on behalf of themselves, respectively, and otherwise as by this Part of this Act authorized, and they are hereby required, to meet by their proper officers forthwith and from time to time as they may agree, to discuss and to effect by agreement, if possible, the purposes set

forth in this Part of this Act. The proper officers of the National Company for the purposes of this subsection shall be the trustees by themselves and/or such of the National Company's or National Railways' officers as the Trustees may name for the purpose, and the proper officers of the Pacific Company shall be the directors and/or such of the Pacific Company's or Pacific Railways' officers as the said directors may name for the purpose."

That is in the statute, 1 Edward VIII, chapter 15.

Q With those provisions in the C.N.-C.P. Act do you really suggest that the Commission should recommend changes along the lines that you outline in your brief?

A I certainly stand by the brief. The cases you have read - I do not want to cross-examine you, but I should like to know if there have been any disputes and settlements under that.

Q There have been various measures. I don't know how many disputes there were, but there is provision there in case of disagreement.

A The League feels that these provisions leave the entire onus on the railway companies, and that there should be some method of a neutral body, like the Board, to decide questions like that, and even to initiate them.

Q But parliament has reserved the policing of this Act to itself so that the directors must each year report to parliament exactly what has taken place under the provisions of this Act. In those circumstances are the provisions of the Act not sufficient to take care of any

co-operative measures which might be necessary or useful?

A We believe that it would be better to give the Board aurhority in the Act, and then the Board has to report anyway to parliament. They could include that in their report also.

Q I don't know what report you refer to there. Let us turn to something else. Are you of the opinion that railway companies should be allowed to go into the trucking business? Has the League any objection to the railways going into the trucking business?

A No, we have not. I think, however, that the League would oppose railways going into the trucking business if it was for the purpose of stifling competition, but if they want to go into the trucking business on the same basis as the truckers we have no objection.

Q And meet the competition of the truckers as they find it?

A Yes.

Q And we can take it that the League has no objection to the railways doing that if the case should present itself?

A At the present time no.

Q Just one other question. You spoke of competitive rates being low, and as I gathered it you said you thought that the competition should never be met except in cases where at least out of pocket expenses were to be received by the railway company?

A Yes, or by any carrier.

Q B out of pocket expenses, would you include there a proper allowance for all accounting charges such

as depreciation and maintenance and other matters of that kind?

A Yes.

Q And in so far as there is any justifiable profit that may be had you say that the railways are free to try to get as much of that as they can?

A Yes.

MR. O'DONNELL: Thank you very much.

RE-EXAMINATION by MR. COVERT

Q There is just one question. Mr. Frawley spoke to you this morning about some one of your members objecting. I understand there was another objection from the McCabe Grain Company Limited. Do you know about that?

A Yes.

Q Were there any other objections?

A There were objections from about four or five grain firms in Winnipeg, and the Prairie division, as I have already stated, opposed it, although at the annual meeting their representatives did not oppose it or make any comment.

COMMISSIONER INNIS: Q. Can you give us any information as to the extent of circulation of this printing? I notice it has had four printings. Do you know how many were run off at each printing?

A About a thousand in each printing.

Q Has it been changed at all?

A Exactly the same. The only change that has been made is to change Board of Railway Commissioners to Board of Transport Commissioners, and just little changes like that. The policy is the same.

MR. COVERT: That is all.

THE CHAIRMAN: Thank you, Mr. Paul.

MR. COVERT: Before proceeding with the next brief, I want to have taken as read into the record the brief of the Canadian Retail Federation. It was forwarded to the Commission some time ago. I have spoken to both railway counsel and counsel for the provinces, and it has been agreed to do that.

THE CHAIRMAN: What is the name of it?

MR. COVERT: Canadian Retail Federation. Their brief is dated April 13, 1949, and it deals exclusively with the mixing privilege.

THE CHAIRMAN: The Canadian Retail Federation. It is to be put into the record as read?

MR. COVERT: Yes.

THE CHAIRMAN: All right.

MEMORANDUM TO

THE ROYAL COMMISSION ON TRANSPORTATION

Mr. Chairman and Gentlemen:

In accepting the invitation of the Royal Commission on Transportation to make a submission upon the subject within your terms of reference, the Canadian Retail Federation wishes to confine its submission to a single aspect of the problem before you.

In spite of the restricted nature of our submission, we are encouraged to bring this one matter to your attention by what we conceive to be the importance of the subject and because we sincerely believe that circumstances altered by the passage of years have rendered obsolete the rule which we propose to discuss.

Rule 10, Section 2, Canadian Freight Classification Number 19, C.R.C. 983, I.C.C. 105.

The above mentioned Rule 10 deals with the application of rates on mixed carloads moving between points west of and including Port Arthur and Armstrong, Ontario, and from points east thereof to Port Arthur and Armstrong, Ontario, and points west thereof and vice versa. It is respectfully submitted that this rule should now be rescinded. It is our considered opinion that an unrestricted Mixing Rule would constitute an economic benefit to the country as a whole and to the west in particular.

Historical Sketch

The following brief historical outline concerning the "restricted" and "unrestricted" mixed carload rule is submitted as a background to what we have to say on this subject. The authority for this historical background can be found in the judgment of the Board of Railway Commissioners for Canada approving Canadian Freight Classification No. 17 (General Order Number 421, dated July 17, 1925).

1. June 1, 1893 'restricted" to different articles of one line of trade.

2. November 15, 1894 "unrestricted". The restrictions as to one line of trade were abolished.

3. September 1, 1897 "unrestricted". Slight modifications.

4. February 1, 1902 "restricted. Articles under "different headings" must not be taken in mixed carloads.

Up to this time the classification rule, whether open or restricted, was uniform throughout Canada.

5. August 1, 1904. The Mixing Rule was changed. Except for minor changes the present (1949) Mixing Rule has been in effect ever since.

6. July 15, 1916. A proposed revision of the Canadian Freight Classification was submitted by the Railways to the Board of Railway Commissioners for Canada. The proposal provided for a uniform Mixing Rule throughout Canada and a wide open mixture of different articles of the same class.

7. March 14, 1917 Western opposition to the principles proposed by the railways on July 15, 1916, was registered before the Board of Railway Commissioners for Canada. It was claimed that any material change might seriously disturb the whole economic situation in the Canadian West.

The Board of Transport Commissioners, following a general investigation in 1925, decided that no change should then be made. Those opposing any change advanced arguments similar to those employed in 1902. In rendering its decision in July, 1925, the Board of Railway Commissioners for Canada said in part --

> "The adoption of the present Mixing Rule in the West is, as is abundantly evidenced, an outcome of adjustment to trade conditions in the West. This has been most urgently urged by these 'trade interests'. It is not a matter in which the railways are really interested."

The Present Rule No Longer Needed

The Mixing Rule dates back to the year 1893. As our brief historical sketch indicates, in its present form the rule has been in existence since 1902. In the ensuing almost half century there has been a wide and

extensive development of Western Canada attended by a substantial increase of population and growth of cities and towns. It may be assumed that the original reason for the imposition of the present Mixing Rule was the undeveloped state of the Western Provinces at the time. We are of the opinion that commercial and economic conditions in the West have so changed that not only is there no justification for such a rule but that the Mixing Rule actually imposes a hardship upon the very area it was, presumably, designed to protect.

Why Change is Needed.

For brevity we summarize some of the reasons which indicate the necessity for elimination of the present Mixing Rule.

1. The present control of distribution no longer remains with two or three Western centres.

2. Both eastern and western organizations have established branches at strategic centres.

3. In the last forty-seven years there has been a significant increase in the density of western populationstogether with a development of many population centres served by adequate channels of trade and transportation. Mixed carloads built up under an unrestricted rule would benefit both trade and consumers by making possible full use of distributing centres. The nearer the mixed car load movement is pushed to centres of population areas, the better service will be and transportation costs will decrease to the consumer's benefit.

4. The railways have no apparent objections to a uniform "unrestricted" rule.

5. The present pool car arrangements for forwarding goods from east to west destroy, to a large degree, the argument that the adoption of an unrestricted rule would destroy the whole economic situation in the West.

6. The Mixing Rule in the freight classification applying west of the Great Lakes differs from that in eastern Canada and in fact elsewhere in North America. At one time a similar rule existed in the United States governing traffic west of the Mississippi. This rule was changed many years ago. At the time the change was made distributors in western United States alleged that their business would be destroyed. Experience proved that these fears were unfounded. There would appear to be little doubt that this was because trade conditions in western United States had changed very much, as they have done in Canada.

7. The Classification Committee has, in recent years, received numerous applications for the inclusion of additional articles in the trade lists which is evidence that the present Mixing Rule is out of date and does not meet the requirements of shippers.

8. The appearance and rapid extension of highway transportation has, to a considerable degree, affected the distribution from large and small centres to smaller urban and rural districts. This fact alone invites some reconsideration of the value of the present restricted rule for mixed carloads.

9. A new form of competitive transportation for some classes of merchandise has arisen in the Inter-Coastal Service via the Panama Canal. This provides

wide open mixture in direct opposition to the rule under discussion.

Western Population Growth

We would now like to say something about the very great change that has taken place in the development of urban centres and the growth of population generally in the four western provinces. The following table illustrates changes that have taken place in these provinces between the years 1901 and 1948 - the information we submit being taken from the recently issued publication "Canada 1949" published by the Dominion Bureau of Statistics.

Province	Population - 1901	Population - 1948
Manitoba	255,211	757,000
Saskatchewan	91,279	854,000
Alberta	73,022	846,000
British Columbia	178,657	1,082,000
	598,169	2,539,000

As will be seen from the above, the population of the four western provinces in the year 1901 - approximately the time the Mixing Rule came into effect - was some 600,000 and the population has now increased to over two and a half million.

In addition, we would bring the Commission's attention to the growth of some western urban centres which indicates a similar trend of population growth. In this case we quote population figures for 1941 as being the latest readily available, although of course most of these communities will have increased in size in the past seven or eight years.

City	Population - 1901	Population - 1941
Brandon, Man.	5,620	17,383
Prince Albert, Sask.	1,785	12,508
Regina, Sask.	2,249	58,245
Saskatoon, Sask.	113	43,027
Moose Jaw, Sask.	1,558	20,753
Edmonton, Alta.	4,176	93,817
Lethbridge, Alta.	2,072	14,612
Calgary, Alta.	4,392	88,904
Trail, B. C.	1,360	9,392
Vernon, B.C.	802	5,209
Victoria, B.C.	20,919	44,068

The increase in population which all the above indicates has been accompanied by an extensive development of commercial organizations. Illustrating this development, we submit some quotations from the March, 1949, Commercial Letter, issued by the Canadian Bank of Commerce -

> "In 1946, the last year for which figures are available, there were 3,627 manufacturing plants in the Prairie Provinces of which 842 had commenced operations since the beginning of the war.

Again the same report states -

> "The agricultural importance of the Prairies is not diminished, but the broadening of production makes the Mid-West less exposed to the vicissitudes common to economies which are almost entirely agricultural."

and again the Bank Letter says -

> "The expansion of manufacturing is lessening

the dependence of the west on goods brought in from eastern Canada and the United States and is a stabilizing influence in the field of employment. The broadening of agricultural production has had a similar effect."

The spread of chain store distribution, of central distributing warehouses and direct dealing of manufacturers with local distributors and retailers has altered the western picture completely and it would seem that the maintenance of the Mixing Rule can now hardly be claimed necessary for the protection of western distributing interests.

On the contrary, it would seem important that the cheapest possible transportation should be provided in order that goods may be laid down at the points of retail distribution at the lowest cost to the public.

In Appendix "A" we submit for your consideration two examples comparing a mixed carload under the present rule and one under the proposed unrestricted rule. Obviously the additional cost involved in the present arrangement must be paid ultimately by consumers.

Summary

In summary we would say that the Mixing Rule, dating back to the beginning of this century, is now obsolete. It came into existence at a time when the population of the western provinces was very much smaller than today and when some consideration could be given to the claims of western manufacturers and distributors that protection was needed for the benefit of western development from their long established eastern competitors.

The population of the four western provinces has increased enormously since that time. This has been attended by a proportionate increase in the commercial distributing system. In addition, the appearance of alternate methods of transportation and the introduction of pool car services have, to a degree, nullified the intended effect of the Mixing Rule.

We respectfully submit that the present restrictions are detrimental to the western provinces and to Canada as a whole. We believe that there is no room for them in our transportation systems and urge that they be replaced by an unrestricted rule for the shipping of mixed carloads.

All of which is respectfully submitted by

THE CANADIAN RETAIL FEDERATION

per Geo. S. Mougham
General Manager.

APPENDIX "A"

of Memorandum to The Royal Commission on Transportation.

In the following examples we attempt to illustrate the cost differences of moving a mixed carload under the present rule as compared to the cost involved in moving the same carload under an unrestricted rule.

Montreal to Regina
Transportation Rates and Cost

Commodity	Weight (lbs.)	Class Rate	Less than Carload: Rate per 100 lbs.	Less than Carload: Cost
1. Coal Stoves	4,000	3rd	2.92	116.80
Washing Machines	4,000	1st	4.33	173.20
Pottery - Earthenware	5,000	3rd	2.92	146.00
Bathroom Scales	5,000	2nd	3.61	180.50
Electric Refrigerators	6,000	1st	4.33	259.80
	24,000			876.30
Mixed C.L. 24,000 @ 2.24 per 100 lbs. ..... (Highest C.L. minimum weight and rate)				537.60
				$ 338.70
2. Trunks	5,000	1st	4.33	216.50
Skiis	5,000	1st	4.33	216.50
Radios	5,000	1½	6.50	325.00
Shoes	5,000	1st	4.33	216.50
	20,000			974.50
Mixed C.L. 20,000 @ 2.92 per 100 lbs. . . . . (Highest C.L. minimum weight and rate				584.00
				$390.50

The monetary saving, indicated in the above examples, accruing to the shipper and reflected in the price to the consumer would be accompanied by an important element of time saving. Not only is it true that the adoption of an unrestricted rule would lead to time saving while goods were in transit - a matter of prime importance under present day distribution conditions - but there is also the factor of the time lost under the existing rule in the accumulation of carload lots.

It might well be pointed out too that mixed carloads shipped from one firm would be loaded by the shipper resulting in a saving of labour costs on the part of the railway.

MR. DESMARAIS: Mr. Chairman, this morning there was a question directed to Mr. H. B.Huston of the Ship By Rail Association by Mr. Frawley in regard to the membership ofthe Association from Calgary, Edmonton and Medicine Hat. Mr. Huston has the information available now, and wishes me to inform the Commission that the number of members there is 1,121.

MR. FRAWLEY: All of whom are employees of railways.

MR. O'DONNELL: Sure; that is the essence of being a member.

MR. DESMARAIS: Mr. Huston wished to have that put in the record. The next submission is that of Gordon W. Jones of Bancroft, Ontario.

THE CHAIRMAN: What is it about?

MR. DESMARAIS: With regard to pulpwood rates and industry.

THE CHAIRMAN: Just a minute. I want to hear that again. Who is the gentleman you are calling?

MR. DESMARAIS: Mr. Gordon W. Jones.

GORDON W. JONES, Called

EXAMINED BY MR. DESMARAIS:

Q. Mr. Jones, do I take it that you are agreeable that the brief be put in the record as read?

A. Yes.

Q. Are counsel for the railroads and the provinces agreeable to this? I understand that they are.

MEMORANDUM FOR THE
ROYAL COMMISSION ON TRANSPORTATION
RE PULPWOOD RATES BY
GORDON W. JONES - BANCROFT, ONTARIO

For the past forty years the writer has been engaged in the purchase and production of pulpwood in the central and eastern sections of Ontario, or in an area comprising some eight counties. Most of the cordage has been purchased from the farmers and settlers, augmented, as required, by woods operations carried on by myself. During this period we have helped supply the pulpwood requirements of both domestic and U.S. paper mills, but from the beginning of our business our largest customer has been the Armstrong Forest Company of Johnsonburg, Pa., which supplies the wood for the New York & Pennsylvania Company with paper mills at Johnsonburg, Pa., Lock Haven, Pa., and Willsboro, N.Y.

The Johnsonburg mill uses both Canadian spruce and poplar wood and the Lock Haven and Willsboro mills use Canadian poplar wood. These three mills are capable of consuming some 200,000 cords of pulpwood annually, about two-thirds being poplar and hardwoods and the balance spruce. Most of the spruce and poplar wood used in these mills has been produced in Canada, and during past years, has provided an immense source of revenue to both our Canadian producers and our Canadian railway carriers. These mills are engaged in the manufacture of fine papers which is highly competitive, especially so since the great development of the paper industry in the Southern States. You will realize, therefore, that it is imperative that we be in a position to deliver our Canadian wood to these mills at a reasonable cost if we are going to continue to hold this market. In this connection our freight rate cost is an all important factor.

IMPORTANCE OF PULPWOOD MARKET
TO SETTLERS, FARMERS, ETC.

Too much emphasis cannot begiven to the important place the pulpwood industry occupies in relation to the economic condition of the small farmers and settlers in the northern wooded areas of old Ontario. Most of these farms are sub-marginal and can only feed the family without much left over for anything else. The pine and the heavy hardwood is practically gone but nearly all of them have growing poplar on their farms which they can cut much like their other crops due to its rapid growth. With a ready market for pulpwood, at fair prices, they are able to secure the cash required to pay taxes, insurance, doctor bills, etc., and also pay for the goods purchased from their local merchants. Without a market for pulpwood it beoomes almost impossible for them to secure cash or credit. When there is a ready market for pulpwood, good times are reflected all through the region, farmers pay their bills and the small merchants books are free of bad debts.

POPLAR
CASH INSTEAD OF WASTE

When we started buying poplar pulpwood for the Armstrong Forest Company, no other market existed, and it was the custom throughout the entire district previous to that time to burn it in large bonfires to get it off the land. Since that time millions of dollars worth of poplar wood has been shipped to Armstrong Forest Company to the great benefit of thousands of settlers throughout Ontario and also our Canadian railways. Hundreds of thousands of acres of cut-over land in old Ontario have been reforested by nature with poplar and, owing to its rapid growth, the supply is inexhaustable.

Due to economic factors governing the use of poplar in

the soda pulp process, very few soda pulp mills exist in Ontario and it is extremely doubtful if any more will be built in the future. Hence the domestic demand for poplar pulpwood is infinitessimal in comparison with the abundance of supply. The retention of the U.S. market is, therefore, of paramount importance to both our people and our Canadian railways. No other market of any consequence exists.

COMPETITIVE FACTORS

When the delivered price of our wood becomes too high our U.S. mills are compelled to use a much larger percentage of their local hardwood and local poplar as well as a greater proportion of purchased pulp from the South and elsewhere to replace Canadian pulpwood. These mills are located in the mountain sections of Pennsylvania and New York States, which are quite heavily forested with hardwood and some poplar. By increasing the percentage of hardwood used in the soda process they can maintain their mills without Canadian poplar. Right now these mills can buy local hardwood, delivered by trucks to the mills, at a less price per cord than the freight alone would cost them on Canadian poplar. They can also buy sulphite pulp delivered to the mills at a price which is much less than it would cost them to buy Canadian spruce and manufacture their own sulphite pulp in their own mills. This is a most unnatural condition and is wholly due to the excessive railway hauling cost assessed on Canadian pulpwood moving to U.S. mills. How this inequity has developed during the last thirty-five years in respect to our own poplar shipments to Johnsonburg, Pa. is readily shown by the following percent-

age comparisons which show what the shipper and what the railway got out of a cord of poplar. For instance, in 1916 the shipper got $6.50 f.o.b. cars at shipping point and the railways got $4.18 in freight. This year the f.o.b. price to the shipper is $10.00 per cord and the railway freight around $14.00 per cord.

Year	Shipper %	Railway Freight %
1916	61%	39%
1920	63%	37%
1930	50%	50%
1938	44%	56%
1949	41%	59%

Thus since 1916 the producer has lost 20% in the delivered cost of his wood to the U.S. mills we supply. Under such a terrific freight burden it is small wonder that we are losing our export markets for Canadian pulpwood with the exception of the water-borne wood on the Great Lakes.

The rates to the Lock Haven, Pa. mill have been so high that none of our poplar has gone to this mill since 1938, in which year we shipped 10,427 cords of poplar to that point. The Lock Haven mill could use a great deal of our Canadian poplar if we could deliver it at a competitive cost.

Our shipments to the Johnsonburg mill in 1948 totalled 30,005 cords or approximately 1770 standard cars, and shipments in 1949 will be in the neighbourhood of 20,580 cords or 1221 standard cars, a shrinkage of 560 cars from the 1948 volume. As we have no poplar contracts for 1949-50, none is being peeled this year and there will be

practically no movement of wood in 1950. The wood now being shipped is 1948 wood. Thus, if we take 1948 as a criterion, the railways will lose the revenue on almost 2000 cars of pulpwood from my territory in the 1950 season. The Dominion will also lose a very large sum in U.S. dollars and the farmers, settlers and merchants throughout my territory, as well as my business, will suffer a very real hardship at a time when the future is most uncertain in nearly every line of business. How much better it would be if the railways would give us reasonable rates so this business could continue.

RE PULPWOOD RATES

While the joint through international rates are probably not at issue in this present hearing of your Commission, any increase granted to the Canadian carriers in domestic pulpwood rates, will undoubtedly be reflected in the international rate structure which would mean a further increase in same. The Canadian carriers were considered as defendants in the Ex Parte proceedings before the Interstate Commerce Commission and were very prompt in incorporating all increases allowed by that body in their proportional rate for the Canadian portion of the international haul. These increases are shown on the sheet attached to this brief showing the changes and increases which have been granted since 1940. Further, on the basis of rates which are at present applicable wholly within Canada, for the movement of pulpwood, it can be shown by comparison mile for mile, that that portion of the joint through international rate accruing to the Canadian carriers is entirely out of line and certainly

consideration should be given to a downward adjustment of the international rate in the near future. I am, therefore, opposed to any increases in the domestic rates (such as the 20% now being asked for) which, in my judgment are already too high and any further increase in the joint through international rates will almost certainly mean the complete loss of my international pulpwood business.

PULPWOOD RATES FROM VARIOUS CANADIAN ORIGINS TO JOHNSONBURG, PA.

	Bannockburn Ont.	Detler Ont.	Clarendon Ont.	Perth Ont	Pembroke Ont.
Rates in effect January 1, 1940	21	22	23	24	25
X-148 rate in effect prior to March 18,1942 Basic					
March 18,1942-6%	22	23	24	25	27
May 15,1943-6% suspended	21	22	23	24	25
July 1,1946-11%	23	24	25	26	27
X-162 Rate in effect prior to March 18,1942 Basic					
January 1,1947-20%	25	26	28	29	30
X-166 Rate in effect prior to Oct.13,1947 Basic					
Oct.13,1947-10% EC	27.5	28.6	30.8	31.9	33
Jan.5,1948-20%EC	30	31.2	33.6	34.8	36
May 6,1948-30%	33	34	36	38	39
Aug. 21,1948-25%	31	33	35	36	38
X-168 Rate in effect prior to Jan.11,1949 Basic					
Jan.11,1949 6%-Ec	32.86	34.98	37.1	38.16	40.28

(Rates shown in cents per hundred pounds)

MR. DESMARAIS: Q. Mr. Jones, I have a few questions to put to you. On pages one and two of your brief you show the importance of the pulpwood market to central and eastern Ontario. Have you any figures showing shipments of pulpwood from this region to the United States during the last ten or fifteen years, and the freight freight paid to the railroads on those shipments, and the revenue to the farmers from the sale of this wood. That would show the importance of the United States market to yourself, the people in your region and to the railways. Have you any figures?

A. The only thing I have here is the shipments in 1948 and the expected shipments in 1949. I do not have figures for all the previous years.

Q. There are no figures available for previous years?

A. We could get them if you need them.

Q. Could you file them with the Secretary of the Commission?

A. Absolutely, yes, I would be very glad to.

Q. On page three in the paragraph headed "Competitive Factors", just about the middle of the paragraph you say:

"Right now these mills"-- and you are referring to the United States mills?

A. Yes.

Q. "--can buy local hardwood, delivered by trucks to the mills, at a less price per cord than the freight alone would cost them on Canadian poplar."

Would you explain that further? It seems under the circumstances that even a reduction in freight rates would help you very little?

A No, it is not that so much. It is the percentage of hardwood they can use in the process of making their paper. To use a greater percentage of hardwood they would have to incorporate certain technical changes in their plant, you see, and the important factor right now is, will they continue to buy their wood supply in Canada or will they make these technical changes in the mills and use their own local hardwood and southern pine? That is the story in a nutshell.

Q How much reduction in the freight rate would be needed to enable your wood to go there?

A That is a hard thing for me to answer. It is largely up to the paper companies that buy my wood, but we do know under present freight conditions the delivered cost of our wood is so high that it makes it very difficult for our mills to make paper and compete in the market with other plants. That is the point of this thing.

COMMISSIONER INNIS: Q. Would you suggest that the word "can" should be "could" in view of the explanation that you have made?

A Yes.

THE CHAIRMAN: Are they doing it now?

COMMISSIONER INNIS: No, they are not.

THE WITNESS: They have not done it as yet, but I have been advised by the paper companies I ship to that they may be forced to do this, and which would be a very great economic loss to the part of Ontario I operate in.

MR. DESMARAIS: Q. You have no suggestion to make as to what the rate should be?

A Not definitely, no. I think that would require some study, and at this short notice I am not prepared to give you all that information. All I am giving you here is the general picture of the situation, and it is a matter of the railways working with us to maintain this international market we have enjoyed for so many years.

Q Have you discussed the question with the railroads?

A No, I have not.

Q Have you brought the matter to the attention of the Board of Transport Commissioners?

A No. Just recently I heard about this Royal Commission and I thought, "well, here is a subject that should properly come within the field of this Commission because they are studying the economic angles from all over Canada", and I am very familiar with this angle in my part of Ontario.

Q At the bottom of page 4 you indicate that in the 1950 season the railway will apparently lose the revenue of 2,000 cars from your territory alone?

A Yes, that is reasonably true because if we do not get any contracts and we do not put people to work producing the stuff, of course the railways do not get the cars to pull out.

Q Could you indicate what the loss will be in the territory as a whole, including persons other than yourself carrying on in the same line of business, what this will mean to your territory, or will you include that in the figures which you will forward to the Commission?

A You mean other mills?

Q Yes, besides yourself.

A Buying similar types of material?

Q Yes.

A There are not very many. I believe there are two in Canada. The Howard Smith Paper Company of Cornwall buys some poplar, and the Ontario Paper Company in Thorold buys some poplar, and I believe that is about all the poplar that is consumed in Canada. When you get into the American field of course you are covering a big territory. You not only cover New York and Pennsylvania and Michigan, but you get out in Wisconsin. Of course, a lot of that is water-borne wood. It does not enter very much into this rail picture. We could get you information along that line if you wish it.

Q You can submit that with the previous information.

A What I would suggest is that you ask me what you want in the way of information. I understand there will be a meeting in Ottawa. I don't know when that is. Do you know?

Q It will be later on.

COMMISSIONER INNIS: It will be announced later.

THE WITNESS: If your Commission and yourself will be good enough to list your questions and the information you wish I know I will do the very best I can to get it for you, and we will present it to you at your Ottawa meeting in an intelligible way.

MR. DESMARAIS: Q. In the Appendix attached to your brief you list the rate from five points in Ontario to Johnsonburg, Pennsylvania. Could you give the mileage in each case and break it down to mileage

in Canada and mileage in the United States.

A I can. I don't know that I would want to do it at the moment. It is a rather involved thing.

Q We just wanted to find out what was the portion of the rate to the Canadian carrier and the American carrier?

A Oh, my goodness.

THE CHAIRMAN: Is that a division that we can find out?

THE WITNESS: We can submit that information.

THE CHAIRMAN: You do not know how --

THE WITNESS: You have to break it down.

THE CHAIRMAN: You do not know how the American and the Canadian railways divide the rate between them, do you?

THE WITNESS: Your Lordship, I know that the Canadians are getting the big end of the deal, and always have a very much greater proportion of the freight than the American lines. The little Cobourg car ferry gets some, but the Canadian Pacific and the Canadian National have had the big end of the deal for years.

THE CHAIRMAN: If you know it you are the first witness who does know it.

THE WITNESS: Well, I think I am pretty right on that.

MR. DESMARAIS: Q. If you have this information perhaps you could submit it with the rest?

A I would be very glad to.

THE CHAIRMAN: Any questions?

MR. O'DONNELL: If anybody else wishes to --

MR. FRAWLEY: I would like to ask one question.

MR. O'DONNELL: I thought you would.

CROSS-EXAMINATION by MR. FRAWLEY:

Q On this question of the division - that is the only thing I am interested in - do you say you really know what the break is between the American carrier and the Canadian carrier?

A I don't know at the moment but I did know for a good many years.

Q Up to when did you know?

A Up to 1940, anyway.

Q What happened after 1940 that you ceased to know?

A Well, the war was on then, and for a number of years it was largely a question of getting enough wood. It was not a question of freight rates, but right now it is an entirely different picture.

Q You say you did know up to 1940. What was the source of your information?

A I don't know that I am obliged to disclose that.

Q I am very much interested. I want to be sure you really know because you see the railways tell us that they do not tell anybody and that it cannot be disclosed.

A Well, why do they have that policy?

Q Well, I am not counsel for the railways.

A They want to keep it to themselves.

Q If you do know you will supply the Commission with the division on these particular rates.

A To the best of my ability we will break it down and show how much more money the Canadians are getting out of this than they ought to be getting out of this traffic.

CROSS-EXAMINATION by MR. O'DONNELL

Q That will be your own computation?

A Yes.

Q According to what you think the division is?

A Sure, and I will not say it is 100per cent right.

Q Because you have never been given any express or definite information?

A Not by the Canadian railways, no, they never would tell me.

Q You point out in your brief that since 1938 you have shipped no poplar to Lock Haven, Pennsylvania?

A That is right.

Q And I take it that is due to the fact there was no demand for your wood?

A Due to the fact the cost of our wood delivered to Lock Haven was too high and they started using southern pine instead of our Canadian poplar.

Q That is right, and it was just about that time that they developed the use of southern pine, was it not?

A They were forced to.

Q Whether they were forced to or not --

A Because we could not pay the farmers in Ontario enough money to take out the wood and ship it to that mill because the freight was so high.

Q That may be, but on the other hand it was about

that time they began using southern pine?

A Well, the time I stopped shipping to them, yes.

Q That is right, is it not? It was about that time, was it not, that they began using southern pine, 1938?

A I believe so, because I know they did not buy any more poplar from me, and it was not my fault. I wanted to sell it to them.

Q You are aware of the fact, are you not, that the level of American rates on shipments of pulpwood is higher than comparable Canadian rates?

A No.

Q You are not aware of that?

A No.

Q You have never looked into it.

A No. I do not believe it.

Q Since 1938 have you found that your costs of operation have increased, it costs you more to get your wood out than it did in 1938?

A Absolutely, yes.

Q I take it we can agree that this year there is a considerable drop in the demand for pulpwood, is there not, even in Canada?

A Yes.

Q And that generally speaking the mills in Canada are buying less than they did last year?

A Quite true.

Q As a matter of interest, in the region that you are in I understand that the tonnage hauled by the railways is about one-third off what it was last year over

comparable periods. For January to June inclusive this year the tonnage hauled is 549,412 tons less than it was in 1948. In 1948 for the same period, January to June inclusive, in the central region of the Canadian National Railways 1,857,079 tons were hauled whereas this year it is 1,307,667 tons. That is the C.N.R. only. I assume that the C.P.R. has had a similar dropping off. At two of the points mentioned in your brief, Mr. Jones, Bannockburn and Detlor, there has been a decrease in the number of tons shipped there?

A Yes.

Q Last year you had shipped there roughly 7,250 tons whereas this year it is only 3,249 tons?

A Yes.

Q And as a man who is in contact with the lumber industry, and with what is going on in Canada, you know that similar circumstances prevail, for instance, in New Brunswick where we were told a week or two ago by Mr. McKay - you may know him - that the demand was considerably less this year than last year?

A That is reflected in the figures I have in the brief. There is definitely a shrinkage in the movement of wood.

Q You say here in your brief that mills to which you used to ship can now buy local hardwood and get southern pine right down where they are operating at considerably below what it would cost to get Canadian poplar?

A That is quite true.

MR. O'DONNELL: Thank you very much.

THE CHAIRMAN: What is next?

MR. COVERT: The next submission is that of the Ontario Mining Association.

ALEXANDER HARRIS, Called

EXAMINED by MR. COVERT:

Q. What is your position with the Ontario Mining Association, Mr. Harris?

A I am actually employed by a group of mines in the Kirkland Lake area, and I am acting for the Ontario Mining Association in this particular instance because of what I think is a little knowledge of freight rates.

Q I understand from your brief that this Association represents thirty-six mines. Is that right?

A Yes.

THE CHAIRMAN: Is this brief to be taken as read?

MR. COVERT: I am just going to ask that.

THE WITNESS: It represents more than thirty-six mines. It is thirty-six mines in that particular section.

MR. COVERT: Q. Now, Mr. Harris, we have had an opportunity of reading the brief. Have you any objection to just having it taken as read into the record without your reading it now?

A Not at all; I would be glad to cooperate.

Q I believe that is agreeable to counsel.

Toronto, Ont.,
August 6, 1949

Hon. W.F.A. Turgeon, K.C.,
Chairman, and Members of the
Royal Commission on Transportation.

Sirs:

On behalf of the Ontario Mining Association, I would like to express appreciation for this opportunity to present before you, our views on the matter of freight rates as they affect our member mines in certain parts of the Province of Ontario.

These particular mining areas are located in the north and northwestern parts of the province and we are mainly concerned with the rates to these areas from the industrial sections of southern Ontario and Quebec and it is with these rates that our presentation deals. The greater proportion of the machinery, materials and supplies required by the mines, moves from these sections of Ontario and Quebec.

The Industry and Costs

Our member companies involved are engaged in gold mining. Continually rising costs in the face of a fixed price for gold are seriously affecting operations despite the assisting legislation enacted by the Dominion Government. More and more ore is ceasing to have commercial value as costs rise above the basis at which the ore can be mined and milled at a profit. Every rise in cost per ton of ore mined and milled places additional tonnages in the waste rock class to the detriment of the mining companies, their shareholders, the dependent communities, and of Canada. Ore so lost in the regular process of mining is usually lost for ever as seldom is

it possible to recover by-passed low grade or marginal ores.

In spite of greater availability of manpower and increased mechanization of the mines, costs are continuing to rise. In the group of thirty-six mines which represent over 92 per cent of all Ontario gold mine production, five mines with costs per ounce of gold below $25, produced 24 per cent of Ontario gold in 1948 as compared with 31 per cent of the 1946 production coming from six mines within this cost range. At the same time, the average costs of all in the group increased from $28.02 per ounce in 1946 to $29.40 per ounce in 1948.

Operating costs per ounce of gold produced at ten operating mines in northwestern Ontario in 1948 were $32.36 as compared with Kirkland Lake $26.86 and Porcupine $30.47. Benefits received under the Dominion legislation mentioned did not, in nearly all cases, offset wage increases and fell far short of meeting the drop of $3.50 per ounce when parity with the U. S. dollar was established.

The Mines and Freight Rates

As in any manufacturing industry, freight rates play an important role in the matter of costs. Unlike most manufacturing industries, the process of gold mining involves a fairly heavy inbound movement of machinery, materials and supplies but very little outbound traffic. The gold bullion recovered is transferred to the Mint at Ottawa by railway express. For every ton of ore mined and milled, the mines require, among other things, on the average, 1.3 lbs. of explosives, 5.2 lbs.

of iron and steel commodities including grinding balls, drill steel etc.; 3.7 lbs. of chemicals such as mill reagents, cyanide and acids; 6.2 lbs. of coal and 4 board feet of lumber and timber.

On the basis of the average tonnage milled per month by the mines in northwestern Ontario during the first quarter of 1949, namely, 120,249 tons; the rail traffic of some of the major commodities required in production per month was as follows:

Explosives	78 tons
Iron and Steel Commodities	313 tons
Chemicals	223 tons
Coal	373 tons
Total	987 tons

Timber has not been included because a great deal of it is obtained locally in the case of these mines. In addition to the tonnages mentioned, are the many miscellaneous items required by the mines and the traffic involved in the movement of supplies for the employees and others in the mining communities.

Importance of this Gold Mining Operation

In the mines of northwestern Ontario, 2,791 men are employed. A survey conducted some time ago showed 78 per cent of mine employees to be married. The Department of Labour at Ottawa estimates the average Canadian family is made up of 4.6 persons. Application of these figures would indicate, therefore, that the number of directly supported persons resulting from gold mine employment in this part of the Province is approximately 10,027. Figures recorded in the Proceedings of the Standing Committee on Natural Resources of the Senate

of Canada, 1946 session, would further indicate that twice as many persons, or 20,054, are directly supported by these mines. This is a very conservative estimate.

The "Canada Year Book", 1946, under the heading "The Outlook for the Mineral Industry", at pages 304 to 314, states, in part:

> "Since 1930, gold has been the greatest single contributor to the Canadian mineral output..... Canada has continued to hold second position as a gold producer, being exceeded only by South Africa. Little comment is needed as to the importance of gold mining to the national welfare, for few industries have contributed more toward the strengthening of the Canadian economy..... It is difficult by the use of figures alone to reveal the extent of the expansion of the industry, but the statement following gives an idea of the growth and suggests also something of the importance of this expansion to the national welfare." .....

It is realized that freight rates must be considered on their merits per se. Ability to pay has not been a factor in rate making, in this sense. However, it was considered advisable to incorporate herein some data which would emphasize the importance of the gold mining industry to the welfare of Canada and to demonstrate the economic position in which it finds itself today. The expectation of further expansion suggested in the 1946 Canada Year Book failed to materialize. Of seventy-two producing gold mines in Ontario at the

beginning of 1940, there were forty-one at the end of 1948. Gold production dropped from 3,171,000 ounces in 1946 to 2,054,300 ounces in 1948.

Location of Areas.

The main gold mining areas in north and northwestern Ontario are Kirkland Lake, Larder Lake, Matachewan and Porcupine, located on the Ontario Northland Railway; Red Lake and Pickle Lake areas in the Patricia district and Little Long Lac area in Thunder Bay district, reached via Canadian National Railways; Missanabie area which is reached via Canadian Pacific Railway.

Although all located within the same province, these areas have their own peculiarities from a rate-making standpoint. The Ontario Northland Railways is a provincially owned railway and is not within the jurisdiction of the Board of Transport Commissioners for Canada. The mining companies and others in the areas served by the Ontario Northland Railway have no recourse to remedial action under the Railway Act. The Red Lake and Pickle Lake areas are west of Fort William and Armstrong, Ontario, and, for rate-making purposes, can be considered in the Prairie group. All the areas in question, including the Little Long Lac and Missanabie areas, are outside the scope of Schedule"A" territory which extends from Montreal to Sault Ste. Marie and includes the section south of that line.

Rates to Mining Areas of North and Northwestern Ontario exceed Southern Ontario Basis.

It will be shown herein that:

(1) Rates from Southern Ontario points and Montreal to Hudson and Red Lake Road, Ontario, the

rail destination points for Patricia District, are as much as 38.5 per cent above the Schedule "A" Scale;

(2) Rates to Beardmore, Geraldton and Hardrock, Ontario, in the Thunder Bay District, exceed Schedule "A" basis by as much as 38.4 per cent.

(3) Rates to Missanabie, Ontario, exceed Schedule "A" basis by as much as 34.4 per cent.

To points on the Ontario Northland Railway, Schedule "A" rates are exceeded by as much as 46 per cent but these rates are not submitted for your consideration as we understand your enquiry is restricted to matters of transportation under Federal jurisdiction. However, in this connection, we draw attention to the fact that, as far as joint rates to Ontario Northland Railway points are concerned, the participating railways including the provincially owned Ontario Northland Railway, are not subject to the Board of Transport Commissioners for Canada, an anomoly which appears manifestly unjust.

The Schedule "A" Scale

The Schedule "A" Scale of distributing class rates was prescribed July 6, 1907 by Order No. 3258 of the Board of Railway Commissioners for Canada, subject to subsequent general increases and decreases authorized or directed by the Board. As a matter of fact, the rates today are two and one-quarter times what they were when the basis was originally established. The First Class rate for a distance of 500 miles, for instance, was 56 cents per 100 lbs. in the original schedule. Today, including the last general increase of

21 per cent effective April 8, 1948 the First Class Schedule "A" rate for a distance of 500 miles is 126 cents per 100 lbs.

The territory affected in the original Order was described as "East of the Detroit and St. Clair Rivers, Lake Huron and Georgian Bay, and North Bay (East and Southbound) and South of the Ottawa River." A distance up to and including 560 miles was covered by the Schedule "A" Scale. This is approximately the distance between Windsor, Ontario,and Montreal, Quebec. On June 30, 1922, following representations by the Sault Ste. Marie Board of Trade and others, the Board of Railway Commissioners, through its General Order No. 366, ordered the extension of the Scale to apply to and from Sudbury and Sault Ste. Marie, stating that such additional mileage on the Schedule "A" Scale as was necessary to cover such extension, should be provided for. The Schedule "A" basis was, therefore, extended by the railways to the necessary distance for this purpose, and for various rate-making and comparative purposes, to a further distance of 1,520 miles.

The original Scale, it was said, was established to meet water competition and certain U.S. rail competition and was evidently intended for one-line hauls although this is not clear. The rates apply to such far inland points as North Bay and points along the Ottawa River including the city of Ottawa. In 1922, they were extended to Sudbury, still further removed from water competition. The rates could not, therefore, have been predicated solely on the water competitive rate

feature nor were they all affected by U.S. rail competition. It seems strange that a line was arbitrarily drawn from Montreal to North Bay and later extended to Sault Ste. Marie, and that points in adjacent territory, north and northwest of that line, were excluded. A possible explanation is the fact that, in 1907, when the basis was first prescribed there was little traffic moving outside the so-called "Schedule A" territory. By 1922 the need for extension of the basis to Sudbury and Sault Ste. Marie became obvious but required representations to the railways and later before the Board of Railway Commissioners. It is felt that the changes in traffic movement since 1922 now warrant the further extension of the Schedule "A" Scale to include the mining areas of northwestern Ontario.

In the judgment in connection with its Order No. 70425 which authorized the 21% general rate increase in April, 1948, the Board of Trnnsport Commissioners dealt with a comparison between the Schedule "A" and Prairie Scales which had been made by Counsel for the Western Provinces. It was said by the Board that:

> "...the revision of Schedule "A" rates would require a study and review of the rate situation existing when it was prescribed as compared with the present situation and there is no evidence on record concerning this."

It is likely, however, that your present Inquiry may well produce the evidence required in support of the contention that a further widening of the Schedule "A" scale is urgently needed.

Equalization of Freight Rates.

On the matter of rate equalization, the judgment just referred to makes reference to a statement to the Board of Railway Commissioners made by the Privy Council in P.C. 2434 dated October 6th, 1920. The particular question was one of equalization of rates between the Prairie Provinces and Eastern Canada but the principle involved is the same. The quotation used by the Board in the judgment was, in part, as follows:

> " The Committee of the Privy Council therefore recommend that as conditions have probably changed materially in recent years tending more and more to make equalization practicable, an inquiry by the Board be directed to be held at the earliest date with a view to the establishment of rates meeting to the utmost extent possible, the above requirement as to equalization."

The general freight rates investigation which was commenced in 1925 and concluded in 1927 found that the existing rates did not constitute undue discrimination against western Canada except with respect to certain rates. However, on June 5th, 1925, Order in Council P.C. 886 was issued and it read, in part, as follows:

> " The Committee are of the opinion that the policy of equalization of freight rates should be recognized to the fullest possible extent as being the only means of dealing equitably with all parts of Canada and as being the method best calculated to facilitate

"the interchange of commodities as between the various portions of the Dominion, as well as the encouragement of industry and agriculture and the development of export trade.

The Committee are further of the opinion that to give effect to this policy and considering the submissions made by counsel and important trade organizations representing different provinces and localities in the Dominion as to the disadvantages that would be suffered by such provinces and localities by any partial or incomplete consideration of the freight rate structure, a thorough and complete investigation of the whole subject of freight rates in the Dominion should be carried out by the Board of Railway Commissioners for Canada, the body constituted by Parliament with full powers under Statute to fix and control railway rates."

Just a little over twelve years ago, on March 27th, 1935, in a dissenting judgment in connection with Board's Order No.51865, Mr. F. M. Garceau, then Deputy Chief Commissioner, said, in part:

"I rather agree with the opinion of an informed authority 'that the freight rate structure in Canada is antiquated; it is in a more or less chaotic condition and I believe there will have to be something in the way of a complete investigation into the freight rates in the

"' near future with the purpose of wiping out some of the chaos which exists and putting the freight rates in a more equitable condition.' ..... Changed conditions require different decisions and in any decision, the dominating factor should be, in my opinion, public weal rather than the interests of the railways, believing that such policy would be more profitable to the railways themselves and would be in accordance with the spirit of the Railway Act.."

The events leading up to the establishment of your Commission, coupled with the statements above referred to, definitely indicate the need for a complete revision of the Canadian rate structure. In our opinion, rate revision over the years has been meagre and has not kept pace with the times and the advance of industry and of commerce.

In the case of the rates complained of herein, the inattention to the expansion of industry and of markets has has been no exception to the general rule. Areas which were practically wilderness when the Schedule "A" Scale was first established in 1907, have been settled due to mining and other developments and, to a great extent, are comparable to many sections of Schedule "A" territory from a railway traffic standpoint.

The trend is towards uniformity in rate making, as far as it is practicable. One of the most significant events in this regard in a great many years, was the recent removal, by Order of the Board of Transport Commissioners, of the long controversial "mountain differen-

tial" following representations made by British Columbia interests.

Rate Comparisons.

In the statements attached, comparisons with Schedule "A" Scale (plus the 21% increase of April 8/48) have been made with published class and commodity rates from a few Ontario centres and from Montreal to:

(1) Missanabie, Ont., the railway destination on the C.P.R. for the Missanabie area.

(2) Beardmore, Geraldton and Hardrock, Ont., C.N.R. destination points for the Thunder Bay District.

(3) Hudson and Red Lake Road, Ont., C.N.R. destination points for the Patricia district.

It will be observed that the published Class Rates from Southern Ontario and Montreal to these destination points, exceed the Schedule "A" basis 9.4% to a high of 49.4%, and that Commodity Rates on iron and steel exceed similar Commodity Rates based on Schedule "A", from 26.5% to 38.5%. In the case of Missanabie, there are no Commodity Rates on iron and steel so comparison is made with the published 5th class rates which are shown to be from 29.6% to 34.4% in excess of an assumed Commodity Rate based on Schedule "A" 5th Class.

Conclusion.

It appears to us that the time has long past since the railways should have been giving attention to the extension of the Southern Ontario basis to other points in the province. The expansion of industry and of agriculture has been so vast since the Schedule "A" basis was established in 1907 and even since its extension in 1922, that a widening of the scope of this scale appears to be

now warranted.

May we respectfully urge your Commission to recommend rate revisions which will give our member mining companies in North and North Western Ontario the benefit of the preferential rate treatment presently being accorded Southern Ontario.

Again on behalf of the Ontario Mining Association may I thank your Commission for the opportunity you have given us to present this matter before you.

Alex. Harris
For Ontario Mining Association
320 Bay Street,
Toronto, Ont.

(Page 6121 follows)

Mr. Harris

Statement No. 1

STATEMENT SHOWING COMPARISON OF PUBLISHED CLASS AND COMMODITY RATES FROM ESSTERN ONTARIO TO NORTH WESTERN ONTARIO POINTS WITH SCHEDULE "A" BASIS AND ASSUMED COMMODITY RATES BASED ON SCHEDULE "A"

From	To		CLASSES Rates in Cents per 100 lbs.) 1	2	3	4	5
Toronto	Geraldton (699 M.)	Published	174	152	131	109	87
		Schedule A	148	131	111	94	74
		Difference	26	21	20	15	13
		% "	17.6%	16.0%	18.0%	16.0%	17.6%
Toronto	Hudson (968 M.)	Publ.	266	221	179	138	113
		Sched."A"	178	157	136	111	90
		Difference	88	64	43	27	23
		% "	49.4%	40.8%	31.6%	24.3%	25.6%
Merritton	Beardmore (825M.)	Publ.	188	163	143	116	94
		Sched."A"	161	142	122	102	80
		Difference	27	21	21	14	14
		% "	16.8%	14.8%	17.2%	13.7%	17.5%
Merritton	Hardrock (764 M.)	Publ.	174	152	131	109	87
		Sched. "A"	157	137	117	99	79
		Difference	17	15	14	10	8
		% "	10.8%	10.9%	12.0%	10.1%	10.1%

COMMODITY RATES
Balls, Liners and Shells, Carloads

Merritton	Beardmore (825 M.)	Published	86¢
		Assumed Rate.85% Schedule "A" 5th Class	68¢
		Difference 26.5% or	18¢
Merritton	Hardrock (764 M.)	Published	86¢
		Assumed Rate,85%Schedule "A" 5th Class	67¢
		Difference 28.4% or	19¢
Toronto	Hudson (968 M.)	Published	104¢
		Assumed Rate.85%Schedule"A" 5th Class	76¢
		Difference 36.8% or	28¢
Toronto	Red Lake Road (1026 M.)	Published	108¢
		Assumed Rate.85% Schedule "A" 5th Class	78¢
		Difference 38.5% or	30¢

Mr. Harris

Statement No. 2

STATEMENT SHOWING COMPARISON OF PUBLISHED RATES FROM SOUTHERN ONTARIO TO MISSANABIE, ONT., IN NORTH WESTERN ONTARIO. WITH SCHEDULE"A" BASIS AND WITH ASSUMED COMMODITY RATES BASED ON SCHEDULE "A"

From	To		CLASSES (Rates in Cents per 100 lbs) 1	2	3	4	5
Toronto	Missanabie (488 Miles)	Published	139	122	105	87	70
		Sched "A"	126	111	96	79	64
	Published Rates exceed Schedule "A" by:		13	11	9	8	6
			10.3%	10.0%	9.4%	10.2%	9.4%
Montreal	Missanabie (666 Miles)	Published	166	146	125	105	82
		Sched"A"	144	126	109	90	72
	Published Rates exceed Schedule "A" by:		22	20	16	15	10
			15.3%	15.9%	14.7%	16.7%	14.0%

COMPARISON OF PUBLISHED 5th.CLASS RATES WITH ASSUMED COMMODITY RATES ON IRON AND STEEL BASED ON SCHEDULE "A" FIFTH CLASS

From	To	Miles	Published 5th Class	Schedule"A" 5th Class	Assumed Commodity Rate 85%"A" 5th Class
Toronto	Missanabie	488	70	64	54
Montreal	Missanabie	666	82	72	61

Published 5th. Exceeds Assumed Rate by:	
16	or 29.6%
21	or 34.4%

Tariff Authority for Published rates: C.P.R.E.2260, C.R.C. E.3990

MR. COVERT: Q. There are a few questions. My understanding is first that the real point of your brief is this. You say Schedule A rates should apply to the territory in which these mines are situated?

A. Yes, that is the crux of the situation.

Q. On that question I should like to ask if that matter has ever been taken up before the Board of Transport Commissioners?

A. It has as far as the Ontario Northland was concerned, and the application was refused on the grounds of lack of jurisdiction.

Q. On the grounds of lack of jurisdiction.

THE CHAIRMAN: What was the precise application?

MR. COVERT: Q. When was that application made?

A. About 1946.

Q. Can you tell us exactly what the application was?

A. The application was for the extension of the so-called Schedule A to and from points on the Ontario Northland Railway.

Q. To and from points on the Ontario Northland?

A. The Ontario Northland Railway.

Q. Is that the railway that is owned by the Province of Ontario?

A. Yes, it is.

MR. O'DONNELL: No jurisdiction in the Board.

MR. COVERT: Q. So there is no jurisdiction in the Board?

A. There has been some controversy on that point. The railways themselves claimed there was no jurisdiction on the greater part of the Ontario Northland with the exception

of the so-called Nipissing Central, which is a branch from Kirkland Lake, but the Board of Transport Commissioners ruled otherwise. They said there was no jurisdiction as far as the whole of the Ontario Northland was concerned.

COMMISSIONER INNIS: Q. Not even on the Nipissing Central?

A. Not even on the Nipissing Central, according to the Board.

MR. COVERT: Q. Can you indicate generally for the benefit of the Commission how large an area these mines occupy which you are representing here today?

A Well, each area - I am sorry that I did not bring a map of the area. It might have been of some assistance.

THE CHAIRMAN: Q. Perhaps you could let us have a map later.

A Yes, I can let you have a map.

MR. COVERT: Q. Will it show the area generally?

A Yes.

Q That would give an indication of how far these mines are generally from the --

A From the railway, for instance.

Q And from the southern Ontario and Quebec markets to which you refer?

A Yes.

Page 6125 follows

Q. Now, in the third paragraph on page 1, you refer to some assisting legislation enacted by the Dominion Government. Would you mind telling the Commission just what that was?

A. That is what is sometimes known as the Gold Mines Assistance Emergency Act, which provided for what you might call cost aid. The aid was based upon the cost per ounce above a certain base cost. I am sorry I have not got the figures available as to the amount which was involved, but I can say that the amount of aid received by the majority of mines did not equal the amount of the increase given in wages. So you will appreciate that it was not appreciable.

COMMISSIONER INNIS: Q. You could get those figures for us, could you not?

A. Yes. Would you like those figures? It has only been in effect for one year. I got the 1948 figures.

MR. COVERT: Q. In the third paragraph you say:

> "Every rise in cost per ton of ore mined and milled, places additional tonnages in the waste rock class, . . ."

And then, in the last paragraph on page 2, you say:

> "Of 72 producing gold mines in Ontario at the beginning of 1940, there were 41 at the end of 1948."

Is this drop in the number of producing gold mines due to the increased costs to which you refer, or are there other factors?

A. There are other factors, such as cases where

the ore has run out in time. But in the majority of cases it has been the cost factor.

Q. The cost factor, you say, is a serious matter in putting certain of these mines in a position where you cannot really operate?

A. Yes. and where certainly quantities of ore are either mineable ore, or are waste rock.

Q. By cost factor you include increased cost of labour?

A. Oh, yes, everything, the depression and everything else.

Q. Could your Association furnish us with figures showing what percentage of costs freight rates have been to your total over-all costs?

A. We can. It would not amount to a great deal, actually.

Q. Actually, freight rates do not play quite as large a part in your product; that is, in shipments out?

A. No.

Q. But you say they are quite a factor on the shipments in, for your material and supplies?

A. Yes. Our company receives hundreds of tons a month.

Q. You say the percentage which freight rates would bear to your over-all costs would be what?

A. Probably less than the cost of other things.

Q. Could you give us an indication of that?

A. I could get that for you.

Q. And at the same time these figures might show whether or not your freight rate costs have increased,

percentagewise as much as your cost for other commodities?

A. No. Increases on some commodity costs have gone up 100 per cent, but certainly we cannot say that about freight rates.

Q. In the last paragraph on page 1, I think, you mentioned the fairly heavy inbound traffic and the light outbound traffic. I suppose that is one of the problems of the railways, in that they really have one-way traffic to a gold-mining centre?

A. No; because in certain areas they have pulp and paper movements out. And the same thing applies to grain in the west. There is a heavy one-way movement, and an empty movement back.

Q. In the final analysis, in your brief, you say the situation has changed in those mining areas and the traffic has increased, and that Schedule A rates should apply there because the traffic is comparable to the traffic in areas in which the Schedule A rates are in force?

A. Yes.

Q. Would you care to say as to whether or not that was likely for two-way traffic in the Schedule A area?

A. Not entirely so. When you consider Sudbury to Sault Ste.Marie, I am quite convinced that is comparable from an all-traffic standpoint to the traffic into the mining area which I am talking about.

Q. Did they make a study of traffic so that you could have a comparison?

A. It would be pretty difficult for us to do so.

Q. I wondered, when you made your previous application, if you had obtained statistics?

A. No, we did not. It had not reached that stage.

Q. Would you not have to have something like that to base an application on?

A. We would have difficulty,as shippers and receivers of freight,to know what would move in the territory, let us say, from Toronto to North Bay, and North Bay to Sault Ste. Marie. But I do not know how we could possibly get those figures.

Q. Perhaps if you asked the railways for them, they would furnish them?

A. They might.

Q. At some time that basis of your brief is a comparison; and if you say there is, it seems to me there should be some figures to back that up?

A. Look at that section of country from North Bay to Sault Ste. Marie, and outside of the City of Sudbury there is not anything comparable to what exists -- North Bay is on the Ontario Northland -- or on the sections of the line which we mention.

Q. At the bottom of page 2 in the last paragraph you say:

> "It is realized that freight rates must be considerd on their merits per se. Ability to pay has not been a factor in rate making, in this sense."

What had you in mind there?

A. Whether or not the consignee or shipper is able to pay the freight on the basis of his economic position. I do not think that has ever been a factor in rate making; The question of whether or not a rate would enable a commodity to reach a market is a factor, but not whether

the consignee could afford to pay it because of the position, let us say, of gold in the world today. Yet I did bring forward theposition of the gold mining industry to show why they were even suggesting a change in the freight rates.

Q. You are not suggesting that, because of the importance of the gold mining industry, there should be special rates on goods moving into that area in order to encourage the industry, are you?

A. No, not particularly, no. I think that the mines,and cities and towns depending upon them,are entitled to the same type of treatment. I think that is what we are bringing out.

Q. Do you know how the rates are fixed on the Ontario Northland railway?

A. It is a very peculiar situation. I do know that on interline rates, the tariffs are filed with the Board of Transport Commissioners; and certainly they must be fixed by the three railways together. That is to say, they must set them and have the approval of the Board. But whether or not the Ontario Northland had the approval of the Board prior to making reductions to Schedule A on their own line, I do not know. And the Ontario Northland Railway Schedule A is,in fact, the local movement on the Ontario Northland Railway, the rate you are asking about. We would like to have Schedule A as a standard, to get the benefit of interline rates on the same basis and we would also like to have commodity rates based on the same percentage relationship as Schedule A, as it presently exists in the south.

THE CHAIRMAN: Q. You are caught between two different jurisdictions?

A. Yes, unfortunately, so far as the Ontario Northland Railway is concerned. I think I wrote you about that, but we did not pursue the matter any further.

MR. COVERT: Q. In the paragraph before the last on page 5, you say:

> "The events leading up to the establishment of your Commission, coupled with the statements above referred to, definitely indicate the need for a complete revision of the Canadian rate structure. In our opinion, rate revision over the years has been meagre and has not kept pace with the times and the advance of industry and of commerce."

Now, when you refer to complete revision, what have you in mind; is it equalization you are talking about?

A. To some extent, yes; equalization, and the changes which have come about by extension of the industry into what was once wilderness.

Frankly, I do not think the railways have kept pace with it, except where industrial managers of the larger concerns have brought what they have thought was injustice to their attention. I have in mind rates on paper and pulp products, which are based on competitive rate features, so far as those production areas are concerned. But I think, as far as those rates are concerned, there has been attention, but not to the complete picture.

Q. For example, they might give you a special or commodity rate on paper, you say?

A. Yes.

Q. On which they would likely get a large amount of traffic. But on gold, you say they have not paid much attention?

A. No, they have not paid much attention to the commodity rates on iron and steel into the mining areas. We are paying fifth class rates in many cases, whereas in southern Ontario they are paying 85% of the fifth class rate.

COMMISSIONER INNIS: Q. Are you bothered with carload maximums?

A. We were during the war, but not now. By carload maximums, you mean --?

MR. O'DONNELL: Q. Maximum car loadings?

A. Yes, but not now. That has been pretty much removed. But don't you mean minimum car loadings?

COMMISSIONER INNIS: Q. Yes, I should have said minimum car loadings?

A. No, we are not bothered with that, because we have sufficient tonnage movement to warrant the movement of the quantities.

Q. And what about l.c.l.?

A. They move to some extent, but not appreciably. It is mostly for our employees. Most of our traffic goes in carload lots.

MR. COVERT: Q. In the last paragraph on page 5 you say:

> "In the case of the rates complained of herein, the inattention to the expansion of industry and of markets has been no exception to the general rule."

Can you explain that to the Board?

A. I think what I mentioned previously covers that point too, but in my personal opinion, unless it were drawn to the attention of the railways in specific instances, I do not think they voluntarily look into the picture, as far as the extension of markets is concerned, unless some competition enters into it.

Q. Would you not expect that to be the case? After all, the railways are operating all over Canada. Would you not expect them to wait until someone called it to their attention?

A. That is the situation, but I do not think it is right.

Q. If you called it to their attention, and they did give it attention, wouldn't that be satisfactory?

A. I do not think entirely so. I think a little foresight in connection with it might have been helpful.

Q. I suggest there might have been foresight on the part of industry which might have helped the railways. Perhaps the railways should not be expected to know the problems of all these people?

A. I think attention was drawn by counsel for one of the provinces to the matter of the inability of the average person to understand freight tariffs and matters of this kind. I think that answers the question.

Q. Have you, yourself, called matters of this kind to the attention of the railways?

A. The particular rates into Ontario Northland points have been brought to the attention of the interested railways to my knowledge, since 1934, and some changes have occurred.

Q. And have you found them willing to co-operate?

A. Definitely, except on the point of establishment of commodity rates. For instance, the commodity rates on ironand steel into Ontario Northland points should be based on our present scale of rates, and that was refused, and was joined in by the three railways involved; let alone Schedule A rates.

THE CHAIRMAN: Are there any questions?

CROSS- EXAMINATION BY MR. O'DONNELL

Q. Mr. Harris, through the years the railways have given the mines that you refer to special rates to assist the industry, have they not, particularly, for instance, on ores and concentrates and inbound commodities?

A. Not these gold mines, except in cases as I mentioned, to Hudson and points of that nature; there are commodity rates, but they are still much in excess of the rates in other territories.

Q. But they have given you reductions on class rates?

A. They were established either at the request of the shipper or the consignee.

Q. But they were accorded to the mining industry?

A. They would get the final results, yes.

Q. And class rates on the Ontario Northland Railway were voluntarily reduced by the railways in June, 1937?

A. Yes, but I would not call it voluntarily.

Q. The railways made the reduction?

A. Yes.

Q. You do not know of anybody who forced them to do so?

A. They could not have been forced to do it, but the matter has been before the railways since 1934.

Q. That may be. But in 1937, is it not a fact that they reduced the rates?

A. They reduced them,period.

Q. I think we can agree that the mining industry had, for instance, rates below the class rates on iron and steel inbound?

A. Prior to that reduction? You are telling me?

Q. Yes, and since that reduction?

A. Into the western territory, yes.

Q. And likewise on chemicals?

A. On some chemicals, yes.

Q. And likewise on mining timbers and piling, from British Columbia?

A. There were special rates put in to meet competition through the Panama Canal.

Q. They were low, those rates for timber and piling, from British Columbia into your mines, so that British Columbia timber and piling could get into your mines?

A. Yes, but they were put in to meet competition via the Panama Canal.

Q. That is right. But the railways accorded those reductions to you, so that you could buy timbers and piling from British Columbia in competition with your own people, right in your own area?

A. But we have to buy British Columbia timber for certain purposes and we are still using it.

Q. But are you still using it to the same extent that you did a few years ago?

A. To the same extent that we ever did.

Q. We had a man, a Mr. Robertson, representing the timber industry in British Columbia who complained bitterly because you were using local timber there in your own area.

A. I do not want to disagree with the chap from British Columbia, but I do know that the British Columbia timber was used mostly for studs in the shafts. But there has not been as much shaft sinking in the past few years as there was.

We could also have brought them through the Panama Canal, and we did buy some.

Q. But the railway made those low rates, and you have used them through the years; isn't that correct?

A. That is correct, in keeping with the statement I made.

Q. So we can agree, I take it -- but before leaving timber, at page 2 of your brief, you say:

> "Timber has not been included because a great deal of it is obtained locally in the case of these mines."

A. Yes, in the case of these mines.

Q. And we can also agree with respect to the explosives mentioned on page 2 of your brief, that the Board of Transport Commissioners fixed the rate on explosives?

A. Following submissions made by the Ontario Mining Association.

Q. But the Board of Transport Commissioners did fix that rate?

A. Yes.

Q. And under the circumstances, it established what the just and reasonable rates should be?

A. That is right.

Q. And we can agree that the Schedule A scale is not the only scale of rates which prevails in the country. There are other scales besides that. I notice in your brief that you make no reference with respect to coal there; you do not relate it to coal. The Schedule A rates are not related to coal?

A. They are mileage rates, actually.

Q. They are a separate scale unto themselves?

A. Yes.

Q. There are a number of coal scales, to your knowledge?

A. Yes.

Q. And the coal scales are not related to these class rates, the Schedule A scale,at all?

A. No; we wanted to compare them with other coal rates in other parts of the country, but we have not done that yet.

Q. These Schedule A rates, which you suggest should be extended to your mines, were originally related to certain United States rates, were they not?

A. That was part of the reason.

Q. And, due to the water rates along the St. Lawrence river?

A. Partially so.

Q. And down the Niagara area, close to the river, and in competition with the American railroads across the lakes?

A. How far south did they go? My knowledge is that when they were first established, in 1907, North Bay was mentioned as one of the points.

Q. Wasn't that the furthest point north?

A. It went as far as Ottawa and Montreal.

Q. But that is along the river, is it not?

A. The Ottawa?

Q. But that is just a few miles from the St.Lawrence?

A. No, sir, it is quite a distance north there. So we did cover quite a bit of territory which was outside of the water competition.

Q. Either water competition or competition with certain American railroads immediately across the lakes?

A. Either one or both.

Q. And what else?

A. In 1922 it was extended at the request of both Sudbury and Sault Ste. Marie to include both Sudbury and Sault Ste. Marie and as far as Sault Ste. Marie is concerned, we can again get water competition, but not to Sudbury.

Q. Your suggestion is that they should go considerably further north and considerably further west, right up to the Manitoba boundary?

A. Almost.

Q. All the Great Lakes area you speak of in your brief and likewise up to Beardmore?

A. Yes.

MR. FRAWLEY: Q. Right out to the Rocky Mountains?

A. The brief says that.

BY MR. O'DONNELL: Q. You are aware of the fact that if these Schedule A rates, which were originally set up, were to be revised, they would be required to be raised very considerably to bring them into line with the present prevailing American rates?

A. I did not know that.

Q. That is my information; and that would be a good reason, would it not, for refusing to extend them along the lines which you ask for, if it be correct?

A. If it is solely American competition, yes. But I do not think they were.

Q. We agreed that they were based on the American competition, or on the water competition along the St. Lawrence?

A. But I brought out that they were maintained north to North Bay and other points outside of that competitive area.

Q. The drop in productionof these gold mines, I take it, we can agree, was not due to the freight rates, but due to a change in government policy?

A. No, no, not at all. It was due to a number of factors, including freight rates, and other costs.

Q. The very last of them was freight rates?

A. No, but it was one of the factors.

Q. And what were the other factors?

A. All other costs have gone up.

Q. Yes, and very much more than freight rates, percentagewise?

A. Yes. I am not saying that freight rates should not go up. I am concerned with the fact that

when they do go up we are going to be saddled with what we might call compound interest.

MR. O'DONNELL: Thank you very much.

THE CHAIRMAN: I understand that completes our labours.

MR. FRAWLEY: There was a matter which I wanted to raise, and it had to do with the date of the Ottawa sittings.

THE CHAIRMAN: The last of the regional sittings of this Commission, as you already know, was announced in Fredericton to take place in Newfoundland beginning with the 27th of September; and then the final sittings of the Commission will begin at Ottawa on Tuesday, the 1st day of November.

---At 4.25 p.m. the Commission adjourned., to meet again on September 27th, 1949, at St. John's, Newfoundland.

A.R.

Canada

ROYAL COMMISSION
ON
TRANSPORTATION

EVIDENCE HEARD ON

SEP 27 1949

VOLUME

32

ROYAL COMMISSION ON TRANSPORTATION

Index Page #48.

- - - - -

ROYAL COMMISSION ON TRANSPORTATION

ST. JOHN'S, NEWFOUNDLAND,
TUESDAY, SEPTEMBER 27th,
1949.

THE HONOURABLE W.F.A.TURGEON, K.C. LL.D. - CHAIRMAN

HAROLD ADAMS INNIS - - COMMISSIONER

HENRY FORBES ANGUS - - COMMISSIONER.

- - - - -

G. R. Hunter,
Secretary.

P.L. Belcourt,
Asst.Secretary.

- - - - -

APPEARANCES:

F. M. Covert, K.C. Gaston Desmarais, K.C.	Counsel to the Commission
A. K. Dysart, K.C. Graham MacDougall,	Counsel for the Canadian National Railways.
A. W. Izzard	Appeared on behalf of the Canadian Pacific Railway.
P. J. Lewis, K.C.	Counsel for the Province of Newfoundland.

- - - -

St.John's, Newfoundland,
Tuesday, September 27, 1949

---The Commission met at 3.10 p.m.

MR. COVERT: Mr. Chairman and members of the Commission, before the first submission, which is that of the Government of the Province of Newfoundland, the Premier of the Province, Mr. J. R. Smallwood, wishes to make some opening remarks. Mr. Smallwood.

HON. MR. SMALLWOOD: Mr. Chairman and members of the Commission: It is my very pleasant duty on behalf of the Province of Newfoundland to welcome you to the new province and to express the hope that your stay here will be exceedingly enjoyable in the newest of Canada's ten provinces.

I notice that you, Mr. Chairman, have just come from Ireland -- Eire, to use its new name -- but better known to us as Ireland; and we find that fact quite interesting because there are a lot of things we hold in common with Ireland. The fact, in the first place that one-third of our population are of Irish blood, Irish descent, the fact that Newfoundland amongst the other numerous names by which she is known, is called "the new Ireland" -- not so much from the fact that her people are as green -- as the famous Canadian once said -- as from the fact that we have no reptiles whatever in Newfoundland, of which we know -- of course I refer to the kind that have no legs.

With regard to the Commissioner, Dr. Innis, I can say that his name is exceedingly well known in Newfoundland -- at least amongst historians; because he

has the rather unique honour of being the author of perhaps the best history of Newfoundland yet written. It is a rather unusual fact too, being himself not a Newfoundlander except in so far as our entry into Union now makes him one. He nevertheless wrote a monumental book on the history of the fisheries of Newfoundland. That book, together with another written also by a non-Newfoundlander, an American this time, Dr. Lounsbury of Yale or Harvard University, also a history of the fisheries, constitute together, far and away, the most useful and authoritative history of Newfoundland ever compiled, all other histories being, by comparison, little more than mere gossip. So that is a particular reason for welcoming Dr. Innis as a distinguished Newfoundland historian and if he writes another book, we might confer upon him the honour of a special Newfoundland citizenship.

We are very glad indeed to welcome Dr. Angus as a member of this Commission because he hails from the Maritime province of British Columbia, the most westerly of the ten provinces, as we happen to be the most easterly. I do not know if he is aware of the fact, but British Columbia is, I might say, teeming with Newfoundlanders. They are out there in their thousands at least, and if my memory does not betray me, the City of Vancouver has had a very intimate association in the history of Newfoundland because, I think, that if it was not exactly discovered or founded by a Newfoundlander, a Newfoundlander did play a very prominent part in its early founding and upbuilding. We have even a New-foundlander who until quite recently was a member of the

Legislature of British Columbia. I refer to a young fisherman from Moreton's Harbour on the Northeast coast of Newfoundland who emigrated to British Columbia, practised the fisheries and was elected to the legislature out there. I refer to Mr. Brett who was elected on the C.C.F. ticket to that legislature.

Now, Mr. Chairman, Newfoundland is not altogether familiar with Royal Commissions. We have not had many in operation in Newfoundland. The last one we had, headed by Lord Amulree, is not a commission of which most Newfoundlanders have very happy memories. And, indeed, the very title "Royal Commission has for most of us a rather ominous sound. We have never fared too well from the operations of royal commissions in the past. We hope, and indeed we feel quite confident that this Royal Commission is going to give a new trend altogether to the work and results of royal commissions in Newfoundland; a trend that will be much more fortunate for the people of this historic island.

The subject matter on which you are working is one which, again, is not too familiar to most of us in Newfoundland. We have been so long a separate country, not an independent one -- a separate one, an entity; we made our own arrangements as far as we were capable of doing it. We were not dependent upon any integration of our transportation system, at least politically, with that of any other country. We made our own independent arrangements and now, as a province of Canada, we have ceased to be masters of our own fate in the matter of transportation, to the extent to which we were before; and

that indeed is a considerable extent. We find now that it is not enough for us to know something about purely local transportation. We have got also to study transportation in the rest of Canada -- the other part of Canada which we have recently acquired as a result of the Terms of Union. But we are going to continue our studies and I think you will find that our counsel, Mr. Lewis, has already gone a long way towards mastering the matter as it affects Newfoundland. I think that even he would admit that there is a great deal for him and all of us to learn about the matter when we hear that in the old maritime provinces they have a Maritime Board of Trade, representing all three of them, and that one of the principal functions of that Maritime Board of Trade is the maintaining of a transportation commission, with a superbly able and experienced man permanently at the head of that Commission, giving his full time to it; and with the real matter of transportation assuming that kind of importance on the thinking of the three maritime provinces, we begin to realize how much we do not know and how much we still have to learn. We have made the beginning and before we have finished we think we will be masters of the secret of transportation. No doubt, some time, we may ourselves be a royal commission deciding upon the transportation problems of other parts of Canada.

I would like you to note that under the terms of union, Newfoundland is placed squarely in the maritime region. Perhaps there is another title for that, but the one that stuck in my mind is "Maritime region --

the other is select area. Newfoundland has been placed in the Maritime region and for purposes of railway rate regulation we are in that region and we are to get exactly what that region gets, no more and no less. Unless and until that term of the terms of union should ever be changed, if it ver were changed, while that stands we stand or fall by what the maritime region generally may get.

I have only one other point to make and that is that slowly we are now beginning to be aware of the fact that our whole economy as a province is tremendously affected by this whole question of transportation. We are either going to go ahead as a people, our population is going to increase or we are going to go back and our population is going to decrease. And there is the normal, or what has come to be regarded as the normal trend or tendency of people in the maritime provinces, to gravitate to the centre of Canada. That tug will be felt in Newfoundland and if not resisted, we will be denuded of our population and our industries will inevitably suffer. And in all that picture we are beginning to realize, a bit dimly, not too clearly, in detail -- we are beginning to realize that transportation may make or break us.

I recall in the past two years visiting Ottawa and meeting with premiers and ministers and officials visiting there from the three old maritime provinces, being warned repeatedly of the effect that the decisions in matters of transportation may have on our fate -- would have on our fate -- should we become a province.

In the rush and excitement of the past two years, none of us has had the chance we needed, to this moment, to really give the matter the kind of study it required. So that although we have begun to sense that transportation may make or break us, we do not know yet in detail how that may be. But we have done our best in the time at our disposal. You will appreciate, too, that you were constituted before even we became a province. We have come in very late on this matter of transportation. I am not apologizing at all. As far as we have gone, we know what we want. We have stated it as clearly as Mr. Lewis knows how to do it; and he is one of our ablest counsellors in Newfoundland.

We welcome you very cordially and we will be greatly surprised if when you return to the older part of Canada, you do not take back with you the impression that all recent visitors have taken, namely that Newfoundlanders -- no matter whatever else they are -- are warmhearted, generous, hospitable, friendly, unaffected and a pretty fine crowd of people to know.

THE CHAIRMAN: We thank you very much, not only for your kind words, but for your illuminating and instructive remarks which will form a very good beginning in furnishing us with the background of the position your province is in and how you look upon this question of transportation. I am glad to see that you look upon it as one of the essential questions with which you now have to deal and pursue in your capacity as a member of the federation of Canada.

Personally I was affected by what you said

regarding the fact that I have just come over from Ireland. I left at half-past nine last night to come out. I was affected also by the interchange of populations between this Island and that one. It is quite interesting and I know a surprisingly large number of Irish people who claim descent from Newfoundland. One of them -- a friend of mine -- was a member of the Irish Government -- a Mr. Little. He was born here and if I am not mistaken, his father was once a Premier.

HON. MR. SMALLWOOD: He was the first Premier.

THE CHAIRMAN: I know a number of cases of that sort. The people over there have a particular interest in what is going on in this province.

Well, you have given us an incentive. You claim you have shown us a reason why we should be a little different in our findings and in the advice we give to our Government, from that done by previous Royal Commissions with which you have had to deal. We take that lesson to heart and we will do the best we can to endeavour to be more satisfactory in so far as Newfoundland is concerned.

We have your case here -- the case for your province. We begin our sessions here by going into it. As you say, you were not even a province, a part of Canada, when we began this work, and we can appreciate how much more difficult it is, it has been, for your government to put a case in shape, and we are pleased to see you have one here, and we shall be very happy to have it submitted to us. I know that I speak for my colleagues, as well as myself, and those who are

associated with us here, the counsel and experts, in assuring you of our goodwill and our intention to do the best we can to recommend that you be given whatever relief may seem to be necessary to meet adequately the question of transportation as it affects you. You were so kind as to say very pleasant things about my colleague, Dr. Innis, which I know he well deserves.

COMMISSIONER INNIS: Mr. Chairman, I am grateful to you for your suggestion that I might express my thanks to the Premier, and I think that thanks takes two forms, one for the more than generous remarks which he made, and the other for the work which he himself has done as an author and which I am glad to say I drew on very heavily for my own book. I should perhaps say as well that in the ten years that were required to produce the book which I wrote I assumed that no one knew anything about it, but I had some information that it had gone up in price from $5.50 to $15.00 and it perhaps was appreciated by certain people and acquired a circulation with which I was not familiar, and it is a source of great satisfaction to me to hear from Premier Smallwood and to know that it has been heard of in Newfoundland.

MR. COVERT: Mr. Chairman and members of the Commission, the first submission is that of the Government of the Province of Newfoundland. Mr. P. J. Lewis, K.C., is presenting the brief on behalf of the Province.

MR. P. J. LEWIS, K.C.: Mr. Chairman and Gentlemen: It is my privilege to present, on behalf of the Province of Newfoundland, a brief which has been prepared with a view to bringing to the attention of the Commission certain features of transportation in so far as they affect and will affect the economic position of the province. This brief will be read to the Board by Mr. McNamara who has assisted very materially in its formulation.

You will observe that the submissions contained in this brief are of general application. You will also note that no particular reference is made to the question of freight rates, as such. This omission -- if such it may be called -- is intentional, and is consistent with the policy of government which is based upon the principle that the application of freight rates to this province is a matter incidental to the interpretation of the terms of union and a question for settlement between the central and the provincial governments.

It is generally accepted in this respect that the freight rate structure applicable to the maritime region is automatically effective in Newfoundland and that this province is entitled to freight rate privileges, no better and no worse than those obtaining in the maritime region. If and when this principle is accepted by the governments concerned, then the formulation of the freight rates to be applied will be a matter for the consideration of the Board of Transport Commissioners which is charged with the responsibility of formulating such rates.

It has been thought well, because of the fact

Newfoundland has only recently become a part of the Canadian federation, that some reference be made to the historical background of the Island, its geographical features and its strategic advantages to the mainland. Those sections of the brief, therefore, which deal with these particular features, are considered to be necessary and essential in order to provide the background against which the more specific observations and recommendations are directed.

The position in relation to Newfoundland, considered in relation to the other constituent parts of the Canadian federation, is peculiar. We have no history of controversial argument such as obtains in the other provinces relative to transportation difficulties and preferential transportation treatment. Heretofore, we have stood on our own feet, provided our own transportation media, maintained our own freight rate structures, and endeavoured, as best we could, to provide facilities, if not adequate to the needs of the Island, at least commensurate with the capacity of the treasury to provide. It is therefore fitting, we submit, that our submission should be directed towards the lack of and improvement of existing transportation facilities within the Island with a view to the strengthening of the economic structure and the fitting of the province to take its place as a progressive unit in the Canadian federation.

The consummation of confederation has resulted, and will result, in a complete change in the trading practices of Newfoundland. Heretofore, our principal supplier

was the United States of America. Today, and for the future, this situation no longer exists. Canada, from hence, shall be our chief supplier, and it is consonant with that thought that adequate facilities be provided to service the province on the one hand and to act as a trade channel for the source of supply on the other.

The fact that the province is an island isolated from the mainland geographically must not operate to the detriment of a resident in this province in favour of his neighbour in the maritime region. The terms of union make it clear that this factor of isolation was present in the minds of the negotiators and to this end the movement of traffic over the Cabot Strait was constituted an all-rail route. It is implicit in the scheme of things that whether the outlet for this movement be through Sydney, Halifax or any other Canadian gateway, the same privileges must apply as have been made applicable to the all-rail route gateway.

We have endeavoured to stress the strategic importance of Newfoundland to Canada and we trust that as a result of our submissions serious attention will be directed towards exploiting the natural facilities which this Island offers towards the safety and security of the mainland and its peoples. We have made, in this connection, specific reference to Gander Airport and we have endeavoured to show how the weakness, inherent, patent and prevailing in relation to that important port, can be remedied.

We have dealt with the system of railway transportation presently in effect. We have shown how

industrial development in the Island throughout the years has followed the construction of the railway. We have endeavoured to convince those in authority how vital this essential link of transportation is, and we have made recommendations whereby the condition can be improved.

We have dealt with the coastwise system and shown how important this service is to that section of our people who are resident on the perimeter of the Island. We have pointed out also the inadequate subsidies that are being paid for the very important service that is being performed, and we have shown how unequal the subvention now being paid is, as compared to that presently being paid for similar services in adjoining areas. We have endeavoured to point out how this particular system can be improved by the construction of feeder roads, and we have advocated that investigation in this respect be pursued without delay.

Lastly, we have dealt with national harbours and we have attempted to show where such a harbour could be established. The presence at that point of natural harbour facilities, clear ocean lane approach throughout the year and ice-free conditions indicate it as a suitable site. Further, natural resources within its immediate vicinity and its contiguity to the chief industrial centres of the Island make it, in our view, an ideal site for such a utility. Its unencumbered approach and its nearness to the principal ports on the mainland, constitute it an ideal inlet for goods and traffic destined for the central and northeastern portions of the

Island. Its utilization as an inlet gateway would eliminate gulf crossings in winter time when serious ice conditions have to be encountered. It would also forestall the necessity of having to use the Topsails region for winter traffic, thus avoiding expensive operation costs which have been a source of financial stress to the railway since its construction.

We are satisfied that the particular recommendation in relation to the establishment of a national harbour deserves immediate and thorough investigation, since we feel that the implementation of this recommendation can have far-reaching consequences to the economic future of the province.

We have dealt with other harbours and we have made certain other recommendations, all of which, in our view, are worthy of consideration and implementation by this Board.

This is the first time that Newfoundland, as a province or otherwise, has had the privilege of placing before such a body recommendations for its economic betterment. We look forward with confidence to our representations being sympathetically received and we have hope that, as a result, the economic position of the province will be strengthened, its transportation facilities improved and the general standards of its people raised.

It is the wish of all that this province take its place beside its sister provinces as a worthy partner in the great Canadian federation.

In making the submissions contained in this brief, we feel that we are not asking for concessions that are not ours by right. And let it not be thought that we come before this Commission seeking charity; but, rather, our just share in the federal benefits that are available to all members of the Canadian union, whether their geographical position be on the Pacific slope, in the central or the Atlantic region. I would therefore ask Mr. McNamara to read the report for and on behalf of the Province of Newfoundland.

GEORGE C. McNAMARA, called

THE CHAIRMAN: Q. Your name, Mr. McNamara?

A. G. C. McNamara.

MR. LEWIS: Q. What is your name?

A. George C. McNamara.

Q. What is your occupation?

A. Manager.

THE CHAIRMAN: Q. What occupation?

A. Manager.

MR. LEWIS: Q. I think you have been associated in the formulation of this brief and on behalf of Newfoundland?

A. I have.

Q. And are you in a position to substantiate the submissions contained therein from a statistical standpoint?

A. I am.

(Page 6170 follows)

MR. GEORGE McNAMARA: Mr.Chairman, Members of the Commission:

HISTORY OF NEWFOUNDLAND IN OUTLINE

At the end of four and one half centuries of honourable history as Britain's Oldest Colony, and at the peak of her revenue, trade and economic well-being, Newfoundland was, on March 31st, 1949, welcomed into Confederation with Canada as the Tenth Province.

The discovery of the West Indies by Columbus in 1492, and of Newfoundland by Jo n Cabot and his son Sebastian in 1497, is detailed in almost every book written on America. The Cabots discovered Labrador in the same year, 1497.

For the next two centuries there came to our island shores a large fleet of English, Portuguese, Basqu , French and Spanish fishermen. These voyagers were the first to reveal to a world which had forgotten the daring deeds of the Northmen, the Northeastern shores of the continent of America. They brought to Europe the tidings of the harvest of the sea "richer than the gold mines of Golconda or Peru." The history of Newfoundland is largely a history of the codfishery and it was the merchants and owners of those British ships, manned by courageous West countrymen, who began that great export trade in salt cod that has remained to this day our staple industry.

The first attempt to colonize Newfoundland on a large scale, made by John Guy, who established plantations at Cupids, Conception Bay, in 1610, ended in failure. In that year Newfoundland was

the scene of a great fishing and trading industry, employing some one hundred and fifty ships and over ten thousand men. Other colonies followed John Guy's and the period 1610-1713 might be called the period of colonization or early settlement. During the wars with France, the population of Newfoundland increased considerably, as England was not strictly able to enforce her laws against her own subjects with regard to settlement.

In 1633, Charles 1, through the Star Chamber, promulgated certain laws for the better government of Newfoundland. According to the old and corrupt system, the master of the first fishing vessel to arrive at any port should be Admiral of the port during the season. Thus it was, that for many years these Admirals, most of whom were so illiterate that they could not sign their names, exercised entire control of the country, including the administration of Justice.

About 1670, Sir Josiah Child, one of the principal merchants in England, tried to influence the Government to prevent settlement by destroying the entire colony.

Up to the conclusion of the celebrated Treaty of Utrecht, on the fourth of April, 1713 , Newfoundland presented a constant scene of dispute, warfare and depredation, being sometimes in possession of the English and sometimes in possession of the French.

In the year 1728 Captain Henry Osbourne, of Her Majesty's Ship Squirrel was appointed the first Civil Governor of Newfoundland, and the Island was established as a separate colony of Great

Britain.

Up to 1811 settlement was forbidden and fishermen were allowed to erect without permission, only such building and erections as were necessary for the curing, salting, drying and husbanding of fish. No other class of building could be erected in any part of Newfoundland, without the permission of the Governor; neither was any soil to be cultivated. Despite official opposition, however, there were more than 10,000 residents on the island by 1785.

In 1814, as a result of the war between the United States of America and Great Britain, the fisheries were left almost exclusively in the hands of the British, who had few competitors in the market abroad. This, together with the circulation of money arising from the naval and military establishments, produced an unexampled degree of prosperity. Over one million two hundred thousand quintals of codfish were exported; six thousand tons of codoil; one hundred and fifty-six thousand sealskins; four thousand six hundred and sixty-six tons of seal oil; besides salmon, mackerel, furs and berries; the whole amounting to no less a sum than two million, eight hundred and twenty-eight thousand, nine hundred and seventy-six pounds; or eleven million, one hundred and forty-four thousand dollars.

In the same year, on the 17th June, the Treaty of Paris was concluded, when a general depression and fall in the value of the produce of the fisheries immediately took place throughout the Island, attended by a number of mercantile

failures. The population at this time was about fifty thousand.

Down through the years, periods of peaks and depths have characterized the Newfoundland fisheries, in common with the fisheries of our Maritime neighbours, governed as the industry is, not only by natural forces and conditions, but by export markets and world conditions.

The interests of the country were sadly neglected until the appointment of Sir Thomas Cochrane as Governor, in 1826. Governor Cochrane was the first Naval Officer to hold the appointment of Governor. An intelligent and enterprising man, he encouraged agriculture, the erection of public buildings and the opening of roads.

In 1828, a road from St. John's to Portugal Cove, Conception Bay, was opened and about ten years later the Legislature voted £35,000 in two years for making roads and bridges, and agriculture began to be pursued more extensively. Schools were also established in various parts of the Island.

A regular sail packet service between St. John's and Halifax commenced in 1840 under the orders of the Post Master General and in the same year, on the 5th November, H.M.S. Spitfire, the first steamer ever to appear in a port in Newfoundland, arrived at St.John's. In 1844, through the exertions of the Governor, Sir John Harvey, a former Governor of each of the Colonies of Prince Edward Island and New Brunswick, a steamer was employed to carry the mail. She was called the "North America" and her first voyage from

Halifax to St. John's was accomplished in sixty hours.

In 1854, steam communication opened between the different districts and the Capital; a telegraph line was erected from St. John's to the Western part of the Island, and a line of Canadian and United States steamers made St. John's a port of call on their way to and from Europe. The first Atlantic cable was landed at Bay Bulls Arm, Trinity Bay on the 6th August, 1858. This cable, however, worked for only a few weeks when it went dead. The first successful cable between the old and the new world from Valentia in Ireland to Heart's Content, Newfoundland, was landed at Heart's Content on July 27th, 1866. It was the culmination of years of experiment, incalculable toil, dogged determination - and an expenditure of about twelve million dollars.

The following is from a letter of Mr. Bridges, Managing Director of the Grand Trunk Railway, to the Canadian Board of Trade, on the trade of the Lower Provinces in 1866:-

"The total importations of flour into the four Provinces of New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland, according to the last returns (1864) which have been published by the respective Governments of these Provinces are as follows, viz:-

Mr. McNamara

In New Brunswick - - - - - -	256,096	Barrels
" Nova Scotia - - - - - -	382,301	"
" Prince Edward Island - -	32,601	"
" Newfoundland - - - - - -	202,718	"
Making a total of	873,716	"

"In Newfoundland, of the total importations of two hundred and two thousand, seven hundred and eighteen barrels, there were from Canada twenty-five thousand, eight hundred and thirty-five; from Nova Scotia three thousand four hundred and eighty-two and from the United States one hundred and seventy-two thousand one hundred and forty-five.

"In regard to Newfoundland, in addition to flour, they imported in the year 1864 twenty-six thousand one hundred and fifty-seven barrels of pork, of which twenty-three thousand four hundred and seventy-two were sent from the U.S.A. and one thousand two hundred and ninety-three from Canada. They imported two thousand four hundred and seventeen barrels of beef; of which one thousand nine hundred and ninety-nine were from the U.S.A. Of butter, the importations were sixteen thousand five hundred and thirty-six cwt., of which Nova Scotia supplied four thousand one hundred and ninety-two cwt., Canada two thousand four hundred and sixty-six cwt., and the U.S. seven thousand four hundred and fifty-four cwt. Of leather-ware, the total importations were to the value of £61,936; of Tea four hundred and sixty-one thousand eight hundred and thirty poun s and of Tobacco two hundred and ninety-one thousand seven hundred and

fifty lbs.

For reasons already given, the trade of which I have endeavoured, as regards the Provinces, to give a few examples, can by proper arrangements be carried on to a very large extent indeed with Canada before Confederation takes place. Of course as soon as that desirable event has actually been completed, there can be no doubt of the large increase of trade which will immediately follow."

The first Railroad Construction Bill was passed i 1879 and the first through-train from St. John's to Port aux Basques left St.John's on June 29, 1898; thus the industrial era of Newfoundland may be said to have begun.

MR. COVERT: Just one minute. I think that the tables may be taken as read into the record. It will not be necessary for you to read them. We will take them as having been read.

THE CHAIRMAN: I think that would be best.

POPULATION AND PERCENTAGE OF INCREASE, 1836-1945

Year	Population	Percentage Increase
1836	75,094	--
1857	124,288	65.5
1869	146,536	17.9
1874	161,374	10.1
1884	197,335	22.3
1891	202,040	2.4
1901	220,984	9.4
1911	242,619	9.8
1921	263,033	8.4
1935	289,588	10.1
1945	321,819	11.1

CONSTITUTIONAL

Until 1832 Newfoundland was ruled solely by the Governor, instructed from time to time by the Imperial authorities. In that year the British Parliament passed a measure creating in Newfoundland a Representative Assembly and giving to the island a form of self-government. To the Legislature, the Governor and his Council was not responsible. The island was divided into nine electoral divisions, each of which was to have one or more representatives, according to population.

In 1855 Responsible Government was granted and lasted until 1933 when a Royal Commission of Enquiry was appointed to make an investigation

Mr. McNamara

into the financial and economic conditions of Newfoundland. The Royal Commission began its work in the Spring of 1933 and its Report was made public in November 1933. It recommended the suspension of the Letters Patent of the year 1876 and the setting up of a Commission of Government.

The first Commissioners were F. C. Alderice, W. R. Howley, J. C. Puddester, Sir John Hope Simpson, Thomas Lodge and E.N.R. Trentham. The latter three were Commissioners from the United Kingdom.

The last session of the Legislative Council and House of Assembly was held on December 2, 1933.

Commission of Government was inaugurated February 16, 1934 and remained in power until March 31st, 1949.

In December 1945 the United Kingdom Government announced that a National Convention would be elected by the people of Newfoundland to assist them in reaching a dec sion regarding their future form of government.

The Convention was elected in June 1946 and held its first Session in September of the same year. It studied and debated the economic and financial situation of Newfoundland and Committees from its own membership presented Reports on the major aapects of the country's economy over a period of years.

Mr. McNamara

A delegation from the Convention was sent to London in May 1947, and on February 28, 1947, a Resolution was passed to send a delegation to Ottawa "to ascertain from the Government of Canada what fair and equitable basis may exist for federal union of Newfoundland and Canada." The delegation was in Ottawa from June to September 1947. On October 29, 1947, the Government of Newfoundland received from the Canadian Prime Minister a statement of terms believed by the Canadian Government to constitute a fair and equitable basis for union.

After prolonged discussion the National Convention recommended to the United Kingdom Government that two choices should be placed on the referendum - the restoration of Responsible Government and continuation of the Commission of Government. By a vote of twenty-nine to sixteen a motion to include Confederation on the ballot was defeated. The United Kingdom Government having considered protests from a number of voters which were placed before the Governor in Commission for transmission to the Secretary of State for Commonwealth Relations, subsequently decided to place Confederation on the referendum ballot, on the ground that it would be unfair to the people of Newfoundland to deprive them of the opportunity of expressing their opinion on the question.

At the first referendum, Responsible Govern-

ment received 69,000 votes, Confederation 63,000 and Commission of Government for a further five-year term, 22,000 votes.

In accordance with the referendum conditions previously announ ed by the Secretary for Commonwealth Relations, a second referendum was held since, at the first referendum, neither Responsible Government nor Confederation had received an overall majority.

The second referendum held on July 22nd, was confined to two choices:- Responsible Government as it existed in 1933 prior to the establishment of Commission of Government, and Confederation with Canada. The published report of the poll showed 71,334 votes for Responsible Government and 78,323 for Confederation; the majority was 6,989.

On October 6, 1948, the Newfoundland Delegation and the Canadian Cabinet Ministers who had been delegated to meet them, opened negotiations in Ottawa, and the Terms of Agreement were formally announced on December 11, 1948.

Newfoundland became the tenth Province of Canada on March 31st, 1949.

GEOGRAPHICAL POSITION

Newfoundland is geographically situated on the Eastern side of the North American Continent. It lies between parallels forty-six and fifty-two North latitude and between the meridians fifty-two and sixty West longitude.

Mr. McNamara

Its most Northerly point is Cape Bauld in latitude fifty-one degrees, thirty-eight minutes, forty-one seconds North; and Cape Pine is its most Southern point, in latitude forty-six degrees, thirty-seven minutes four seconds North.

The most Eastern point is C pe Spear at fifty-two degrees, thirty-six minutes, fifty-nine seconds of longitude West of Greenwich, The Most Western part is Cape Anguille in longitude fifty-nine degrees, twenty-nine minutes, thirty-six seconds West.

Newfoundland is bounded on the North by the Straits of Belle Isle which separate it from the neighbouring continent at the Southern part of the Labrador Peninsula. The strait at its narrowest part is only nine miles across. On the East and on the South, Newfoundland is washed by the waters of the North Atlantic Ocean, into which it stands out so as to form a projecting corner of the North American seaboard. It is bounded on the West by the Gulf of St. Lawrence which extends from the Cabot Strait at the South Eastern entrance of the Gulf to the Straits of Belle Isle.

The area of Newfoundland is forty-two thousand square miles. If this land were a square instead of an irregularly shaped triangle, it would measure two hundred and five miles on each side.

LABRADOR

Labrador is a large peninsula on the East Coast of North America. It is formed by the Gulf of

Mr. McNamara

St. Lawrence and Hudson Bay.

The boundary line between the two divisions - Labrador in the Province of Quebec and Labrador in the Province of Newfoundland - begins at the East side of Blanc Sablon Harbour in the Straits of Belle Isle and runs North to the fifty-second parallel of latitude, thence West along the fifty-second parallel to Romaine River, then North Easterly and Westerly along the left bank of the said river and North to the height of land and then following the height of land to Cape Chidley. (Reference: Privy Council Decision, 1927).

Labrador in the Province of Newfoundland comprises all the mainland between the boundary line described above and the Atlantic Ocean and all the islands along the Coast from Blanc Sablon to the entrance to Ungava Bay. It has an area of about one hundred and twelve thousand square miles. The coastline is roughly one thousand two hundred miles in length.

APPROXIMATE LAND AND FRESH WATER AREAS
PROVINCE OF NEWFOUNDLAND

(Source: Canada Year Book)

	Land Sq.Miles	Fresh Water Sq.Miles	Total Sq.Miles
Island of Newfoundland	37,392	5,342	42,734
Coast of Labrador	98,000	14,000	112,000
Province of Newfoundland	135,392	19,342	154,734

Mr. McNamara

Newfoundland ranks seventh among the Provinces in area. It is about one-quarter the size of Canada's largest Province, Quebec (594,860 sq. miles) and is more than three times the combined area of Prince Edward Island (2,184 sq. miles), Nova Scotia (21,068 sq.miles) and New Brunswick (27,985 sq. miles). The island of Newfoundland is about eighty-three per cent of the combined area of the three maritime Provinces.

DISTANCES BETWEEN ST. JOHN'S, NEWFOUNDLAND AND OTHER POINTS IN CANADA

(NOTE: Distances shown are overland route by railway and ocean route between Port aux Basques and North Sydney).

(Source: Canada Year Book)

(Table continued on next page)

Mr. McNamara

PLACE	DISTANCE (Miles)
Sydney (by boat)	435
Halifax (by boat)	625
Charlottetown	894
Halifax	933
Moncton	994
Saint John	1,083
Fredericton	1,099
Quebec	1,467
Sherbrooke	1,451
Three Rivers	1,545
Montreal	1,559
Ottawa	1,663
Kingston	1,725
Toronto	1,886
Hamilton	1,925
London	2,001
Windsor	2,111
Fort William	2,521
Winn peg	2,817
Brandon	2,951
Churchill	3,796
Regina	3,172
Saskatoon	3,288
Calgary	3,639
Edmonton	3,618
Vancouver	4,280
Victoria	4,365
Prince Rupert	4,574

The port of St.John's is about nineteen hundred miles from Liverpool, England; while the air distance between Gander Airport and London, England is 2360 miles.

Mr. McNamara

ECONOMY

The economy of Newfoundland is broadbased, and springs from three great sources of natural wealth - the fisheries, the mines and the forests.

Until the close of the nineteenth century, the island's economy was based almost exclusively upon the export of fish and fish products. The fisheries of Newfoundland have proved themselves to be of inexhaustible value. Since the days of the early discoverers, the waters surrounding the coasts of the island have been renowned for their prolific fisheries, and centuries of exploitation have proved the truth of Bacon's prophecy that the fisheries of Newfoundland were richer than the gold mines of Peru.

But recent years have shown that, in addition to the wealth of the seas, the island is richly endowed with forest and mineral wealth.

Following upon the construction of the Railway across the Island, with the consequent improved means of access to the interior, the forests located on the East, Centre and West coasts of the Island have proved the source of great development. The establishment of two progressive centres of paper manufacturing - one at Grand Falls and the other at Corner Brook, is proof of this statement.

Concomitant with this development of the forests has come a similar exploitation and development of mineral wealth. Within recent years valuable composite ore deposits have been

Mr. McNamara

discovered and developed in the area of Buchans which is situate practically in the centre of the Island.

The fisheries which in the early days were limited almost exclusively to the production and marketing of salt codfish have, with the development of refrigeration process and scientific research, become more diversified. New markets have been opened up, particularly in the United States of America and returns from the industry have been substantially increased as a result.

In addition to the fresh and frozen fish development, other branches of this industry have been developed to a substantial degree. Seal and whale fisheries are today, and have been for many years, very substantial contributors to the economy of the Island.

In substantiation of the value of the fisheries of Newfoundland to the economy of the Island, it will be found on reference to the 'The Statistical Background of the Province of Newfoundland' issued at Ottawa in May 1949, that the value of the fishery exports, including codfish fresh and salt and other products of the fishery was in 1948:-

Salt Codfish - - - - - - - - - -	$16,405,000.00
Other Fishery Products - - - -	12,953,000.00
Making a Total of - - - - - - -	$29,358,000.00

The forests of Newfoundland comprise an area of some seventeen thousand square miles. This industry takes second place in the economy of the Island. Woods operations and forest products manufactured

Mr. McNamara

give employment to about twelve per cent of all gainfully occupied males; and exports of forestry products account for about forty per cent of Newfoundland's total exports.

These forests supply two principal newsprint manufacturers:- one situate at Grand Falls on the East Coast of the Island and one at Corner Brook.

The mill at Grand Falls has an annual production of two hundred and twenty thousand tons of pulp and paper products. It consists of seven paper machines and a sulphite machine. This operation employs fifty-two hundred workers and had a payroll in 1948 totalling eleven million dollars. The paper mill at Grand Falls is situate approximately twenty-two miles from the port of shipment at Botwood, with which it is connected by a railway owned by the operating Company.

The mill on the West Coast is situate at Corner Brook and enjoys the unique position of being located at tidal water. The mill at Corner Brook is owned and operated by Bowater's Pulp and Paper Mills Ltd. It has an annual output of three hundred thousand tons of newsprint and fifty thousand tons of groundwood, with a total annual payroll in excess of fifteen million dollars. It is the largest integrated newsprint industry in the world. The pulp and paper production of both mills is exported almost exclusively to the United Kingdom and the United States of America. The value of the newsprint and allied products exported for the year 1948 was as follows:

Newsprint	354,372 tons	Value: $31,251,142.00
Woodpulp	43,663 "	
Pitprops & Pulpwood	96,093 cords	

Mr. McNamara

In addition to the two major newsprint companies, nine hundred saw mill operators were licensed in 1948 to carry on lumbering operations in the Island. The lumber produced from these mills is used almost entirely for local use.

In addition to the forest areas of Newfoundland, it has been established by competent survey, that on the coast of Labrador there is a very substantial stand of commercial timber available for exploitation and development.

It is anticipated that in the course of time this Labrador timber will be available either for development on the spot, or for the feeding of Newfoundland mills presently in existence, or to be established in the future.

MINING

Mining takes third place among Newfoundland's basic industries, after the fishery and forest production.

The chief minerals are iron ore located at Bell Island in Conception Bay, on the East Coast; and lead, copper and zinc concentrates at Buchans in the interior. Fluorspar is found in substantial quantities in St. Lawrence on the Burin Peninsula and a large limestone deposit is located at Aguathuna on the West Coast.

Within recent months extensive deposits of iron ore have been located on Labrador in the area of the Quebec boundary. It has been stated authoritatively that the body of iron ore located on the Labrador Peninsula will yield three hundred million tons.

Mr. McNamara

The value of mineral products exported from Newfoundland in 1948 was approximately sixteen million dollars.

AGRICULTURE

Agriculture is of relatively minor importance in the Island's economy. It ranks fourth after fisheries, forestry and mines. The climate is not well suited to the production of any but the hardier crops and the amount of arable soil and pasture land is limited. Most food is imported, comprising about one-third of the Island's total imports annually. Two-thirds of the food imports are from Canada and most of the remainder from the United States of America.

About one-third of the Island's improved acreage, including pasture, is to be found on the West Coast. The area around St. John's, on the East Coast supports a small farming community which finds a steady market for its products in the Capital.

Apart from the foregoing, farming throughout the rest of the Island is on a part-time family-plot basis; and is resorted to by fishermen and loggers as a supplementary source of income and food supply. The value of all farm products is approximately fifteen million dollars.

MANUFACTURING

Industries, mostly centred in the Capital, St. John's, provide a portion of the country's needs of manufactured articles, but most of the raw materials have to be imported.

Mr. McNamara

The following are some of the industries located in Newfoundland:-

Aerated Waters,	Margarine,
Bakeries,	Marine Engines,
Beer and Ale,	Men's Clothing,
Boot and Shoe,	Nails,
Brick,	Foundries,
Brushes,	Rope,Nets and Twines
Cans,	Tobacco and Cigarettes,
Concrete Blocks,	Woolen Mills,
	Woodworking Plants.

Some indication of the economic value to Newfoundland of local industries may be estimated from the following statistics recently compiled and representing returns from thirty-two secondary manufacturing firms:-

Total No. of Employees	Total Annual Wages Paid	Total Value of Annual Sales
3,500	$ 3,229,882.00	$14,657,488.00

FOREIGN TRADE

The United States has been the most important customer of Newfoundland products, although Canada remains by far the chief source of supply. The comparative figures of Imports and Exports for 1947-48 are as follows:-

Mr. McNamara

	Imports		Exports		Total Trade Millions of Dollars
	Millions Dollars	%of all Imports	Millions of Dollars	% of All Exports	
U.S.A.	40	38	27	33	68
Canada	55	52	11	13	66
United Kingdom	6	6	13	16	19
Other Sterling	2	2	6	8	8
Other Dollar	2	2	23	30	24
	$105	100	$80	100	$185

IMPORTS BY COMMODITY GROUPS AND PRINCIPAL COUNTRIES

FISCAL YEAR 1947-48

(Source: Newfoundland Customs Returns)

	Total Imports	Canada	United States	Other Countries
		(Thousands of Dollars)		
Foodstuffs & Beverages - - -	$ 33,199	$20,650	$ 9,839	$2,710
Animal & Vegetable Products- - -	6,340	3,216	2,770	354
Textiles & Clothing	11,897	4,241	4,944	2,711
Wood and Paper -	5,240	3,119	2,003	118
Non-metallic Minerals	13,471	7,375	4,467	1,629
Metals & Manufactures - - - - -	7,491	3,906	2,883	701
Machinery & Vehicles - - -	18,488	7,355	10,143	990
Chemicals & Products - - -	3 ,663	2,510	880	274
Miscellaneous -	5,266	2,610	2,384	273
TOTAL IMPORTS	$105,055	$54,982	$40,313	$9,760

Mr. McNamara

EXPORTS BY COMMODITY GROUPS AND PRINCIPAL COUNTRIES

FISCAL YEAR 1947-48

(Thousands of Dollars)

	Total Exports	Canada	United States	United Kingdom	Sterling Countries	Dollar Countries
Fish & Products	$ 29,022	$5,381	$ 6,334	$ 219	$ 3,068	$14,020
Mineral Products	15,760	3,808	5,300	2,496	- ---	4,156
Paper Products	25,729	109	13,015	5,713	2,664	4,228
Forestry Products	5,575	2	322	4,835	- ---	416
Furs, Hides & Skins	908	375	312	220	- ---	1
Other Nfld. Exports	845	59	780	1	- ---	5
Re-exports	2,629	1,390	1,030	129	14	66
TOTAL EXPORTS	$80,468	$11,124	$27,093	$13,613	$ 5,746	$22,892

COST OF LIVING INDEX

The Cost of Living Index for St. John's at 4th June 1949 is 175.7 that is .6 lower than 7th May, 1949 (176.3). Food contributed to the decrease with slight reductions evident in the price of salted fish and flour.

1st October,1938	100.0	1st January, 1949	186.7
1st October, 1939	104.4	5th February, 1949	186.3
6th March, 1948	184.1	5th March, 1949	184.9
3rd April, 1948	185.1	2nd April, 1949	179.0
4th May, 1949	183.0	7th May, 1949	176.3
5th June, 1948	181.9	4th June, 1949	175.7

(Source: Department of Supply.)

STRATEGICAL POSITION

A glance at the map of North America will immediately disclose the strategic importance of the Island of Newfoundland to the continent. Situate

between Latitude forty-six North, longitude fifty-two West and latitude fifty-one North, longitude fifty-nine West, it lies across the mouth of the Gulf of St. Lawrence and constitutes a rampart for the Canadian Eastern Coastline. The approach to the entrance of the River St. Lawrence is made either around the Island's Northern extremity or along its South West Coast.

The Island is located on the great circle route and it constitutes the nearest land to the continent of Europe. The distance from the port of St. John's to Liverpool is nineteen hundred miles; while the airline distance between Gander Airport and London, England, is two thousand three hundred and sixty miles.

It is readily apparent that in the event of attack from the East, Newfoundland would be a stepping stone to the North American continent. It was for this reason that during the recent war, formidable bastions for both defence and attack were established in the Island. The United States, Canada and the United Kingdom united, pooled their resources and established at several points, Bases from which were carried out far-reaching and effective operations. Newfoundland stood throughout the years of war as the rampart of defence for Canada and America against attack from across the Atlantic.

It is implicit in the scheme of things that if this natural bastion is to guard effectively the lives and property of those on the mainland, the requisite facilities must be provided to exploit to the full, the natural advantages which her strategic position makes available to those who might use them.

Mr. McNamara

It is conceivable too that this thought was present to the minds of those who consummated federation of this Island with Canada. It is therefore fitting that this submission should stress the vital importance of the island to the mainland in this connection and to that end to stress the obligation upon those charged with the direction of Canada's national affairs to see that the natural advantages provided by Newfoundland be fully exploited and that no expense be spared to provide the facilities requisite and necessary to make it an impregnable defence and a reliable guardian to the mainland.

It is axiomatic that without roads and proper means of communication, troops cannot be moved, heavy armament becomes immobile and the best of armies are rendered innocuous unless they can reach their objective. In these days of rapid transit, when the Atlantic Ocean can be spanned in a matter of hours, it is imperative that troops and armament be moved with the greatest possible dispatch to points of strategic importance.

The nation in control of Newfoundland can sever the jugular vein of Canada since she would control the St. Lawrence River which penetrates into the very vitals of the North American continent. The Eastern seaboard from Cape Chidley to Cape Sable would be very vulnerable indeed to the power that had air supremacy in Newfoundland.

These factors stand out in grim reality when one casts but a casual glance at Canada and the American Eastern seaboard.

Mr. McNamara

It is therefore respectfully submitted that serious consideration must be given to the importance of Newfoundland from a strategic standpoint. This idea transcends all other issues that can or might arise out of the federation of this island with the mainland.

GANDER AIRPORT

Gander Airport is situate in the interior of the Island. This giant airbase was established prior to the opening of the last war for the purpose of maintaining aerial communication between the North American and the European continents along the great circle route and the shortest water route across the Atlantic Ocean. Following upon the opening of hostilities, this Base was developed to the extent that it is today the largest airport in the world. It is the cross-roads for trans-atlantic flying and is an essential link in the line of communication around the world. Gander Airport is only four and one-half hours flying time from the nearest land on the European side. The following are the relative great circle route distances:-

Gander to Goose Bay	343	(Nautical	Miles)
" " Greenland	797	"	"
" " Iceland	1,397	"	"
" " Shannon	1,716	"	"
" " Prestwick	1,836	"	"
" " Bermuda	1,095	"	"
" " The Azores	1,465	"	"

Mr. McNamara

By stages, the mileage is:-

Gander to Greenland	797	(Nautical	Miles)
Greenland to Iceland	649	@	@
Iceland to Prestwick	740	"	"
Prestwick to London	284	"	"

This giant Airport which is the potential key to air supremacy of North America in the event of war, is isolated from the standpoint of communication. No roads radiate from it by which contact can be made by land. The sole means of transportation to and from is provided by the narrow gauge railway presently spanning the Island. It is elementary that should air attack from an adverse force establish control of the Gander Airport, the great cities to the West on the mainland, both in Canada and the United States would be at the mercy of the attacking force. It must follow therefore, that any comprehensive plan for the defence of the American continent should be predicated upon the prevention of a successful assault upon this vital source of attack and defence. To this end, lines of communication to the seaboard at a point or points approachable at all seasons and under all weather conditions, should be constructed. If this essential precaution is not taken, whereby men, materials and equipment can be moved into Gander with the greatest dispatch and the least possible delay, then this great Airport will be vulnerable and may well become isolated in the event of an attack from an adverse force.

The establishment of rapid means of communication to this vital point of defence is not the responsibility of this Province. The strategic position of

the Airport, situate as it is in the centre of the Island, is merely a geographical accident. But the importance of the Airport to the mainland and its peoples is a matter of vital concern. As it stands today, isolated in the wilderness without land communication either of road or rail, capable of transporting in quick order and with the utmost efficiency, materials and equipment, it constitutes an invitation to would-be aggressors desirous of obtaining a foothold and a stepping-stone to the very heart of the North American continent.

It is submitted, therefore, that no time should be lost, no effort should be spared or no expenditure questioned that would have as its object the making of Gander a fortress impregnable to attack and a threat to any would-be aggressor who might conceive using it as the doorstep to the conquest of the North American world. It is suggested therefore, that immediate steps be taken to construct and maintain lines of communication from the Gander Airport to the most accessible and nearest port of entry to the Canadian mainland.

With this in view, a submission will later be made regarding the establishment of a National Harbour that, in addition to its other advantages, would provide the missing link in this vital chain of defence.

TRANSPORTATION FACILITIES

(a) RAILWAY

Transportation facilities in Newfoundland are meager. The main channels of communication are, in order of their importance:- Water transport, rail, highways and airways. The island has a coastline of

Mr. McNamara

approximately six thousand miles, around which are established more than thirteen hundred settlements large and small, in which the coastal population resides. Labrador has a coastline of twelve hundred miles and has a population of fifty-five hundred people. The coastal area is served particularly by the Coastal Steamship Service, which is operated by the railway as a branch of the Canadian National Railway, local coastwise vessels and small boats.

The second in order of importance is railway transportation. The railway which meanders its way across the island from St. John's on the East Coast to Port aux Basques at the extreme South Western corner of the island, covers a distance of five hundred and forty-seven miles. The total railway mileage is seven hundred and five miles of which one hundred and fifty-eight miles consists of branch lines - Bonavista eighty-seven miles; Brigus thirty-eight miles; Argentia twenty-one miles; Lewisporte nine miles and Placentia one mile. It traverses an irregular line North and Westwards to Corner Brook and thence South to Port aux Basques. The system which is narrow gauge is three feet six inches in width. It is divided into four divisions as follows:-

St. John's to Clarenville,

Clarenville to Bishop's Falls,

Bishop's Falls to Humbermouth,

and Humbermouth to Port aux Basques.

A regular passenger and freight service is maintained over this line and the average length of time taken to complete the journey from the Eastern terminal to the

Western gateway at Port aux Basques is twenty-four hours. From Port aux Basques a passenger and freight service is maintained by ferry to North Sydney, Cape Breton, where connection is made with the Canadian National Railway system on the mainland.

Railway operations in Newfoundland have had an interesting history. Construction was started in 1880 from St. John's to Harbour Grace. This was the subject matter of a private contract. Subsequently, in 1894 again as a result of a contract made with the Reid Newfoundland Company, the line was projected to Port aux Basques where it was completed in 1898.

The railway was operated by the Reid Newfoundland Company, under private contract until 1920 when it was operated by a Commission appointed by the Newfoundland Government. In 1923 the entire system, including coastal steamers and dry dock at St. John's was purchased from the Reid interests for the sum of two million dollars. Since then the system has been operated by the Government as the Newfoundland Railway until April 1, 1949 when, pursuant to the Act of Union, it was absorbed as part of the Canadian National Railway.

The paramount thought in the minds of those who conceived the idea of constructing a railway across the island of Newfoundland in the first instance, was to tap at strategic points the bays on the North and East Coasts of the island; then to traverse the interior with a view to opening up

the island to industrial development; then to touch the West Coast at Bay of Islands and Bay St. George and to form a link of communication with the mainland at the nearest point of contact, Port aux Basques. The dream of those who conceived this idea of industrial development has been justified by the establishment at Grand Falls of a prosperous township centered around the pulp and paper operations of the Harmsworth interests of England who own and control the paper manufacturing plant at that town. Again, in the very centre of the island, a rich mining development has resulted at Buchans which also supports an industrial centre which is prosperous to a degree, although somewhat limited in its scope. Indications are that the mineral development at Buchans has not yet reached its zenith and it is possible that the future may disclose further discoveries which may lengthen the life of the mine indefinitely and expand the industrial activity which is presently centred in that area.

Again, at Corner Brook in the Bay of Islands area is established one of the largest and most progressive paper manufacturing centres in the North American continent. This development owes its origin to a large extent to the fact that the railway contractors, in the first instance, with a view to the future, saw the possibilities for timber and pulp development in the Humber and Deer Lake area. They acquired by virtue of their contract, large tracts of rich timber areas which

Mr. McNamara

formed the nucleus from which sprung the vast pulp and paper manufacturing plant at Corner Brook.

Numerous smaller, but none the less important subsidiary industries have developed along the line of railway, in the way of lumbering and allied industries which have been a source of sustenance to many of the island's people for many years.

The railway and its branches, of which there are four, have served the interests of the island well and although balance sheets may disclose substantial deficits over a period of time, yet the overall picture proves that the expenditures made on Capital Account and otherwise have been justified. Without the railway it is safe to say that the interior of Newfoundland would not have made the strides in industrial development that the island has shown within the last fifty years.

We set forth herewith in some detail a list of rolling stock and equipment owned and operated by the Railway as at April 1, 1949.

RAILWAY ROLLING STOCK AS AT APRIL 1, 1949

Steam Locomotives	46
Diesel	3
First Class Passenger Cars	26
Second Class Passenger Cars	14
Private Cars	3
Business Work Car	1
Compartment & Observation Cars	1
Sleeping Cars	18
Dining Cars	8

Mr. McNamara

Baggage Cars	13
Express Cars	4
Mail Cars	6
Box Cars	391
Automobile Cars	26
Refrigerator Cars	31
Flat Cars	385
Wooden Ballast Cars	20
Steel Air Operated Side Dumps	19
Steel Underframe Ballast Cars	50
Regular Coal Cars	8
Wooden Snow Plows	20
Steel Snow Plows	8
Rotary Plows	3
Diesel Shovels	5
Diesel Cranes	2
Pile Drivers	3
Depressed Centre Flat Cars	2
Ditchers	2
Caboose Cars	29
Tool Cars	6
Work Repair Cars	46
Cook and Bunk Cars	55
Nfld. Service Tank Cars	25
U. S. Army Tank Cars	50
Imperial Oil Tank Cars	27
Shell Oil Tank Cars	6
Colas tank Cars	8

Mr. McNamara

AGE OF LOCOMOTIVES

No.		No.	
3,	37 years	1,	12 years
1,	36 "	2,	11 "
2,	32 "	7,	8 "
6,	28 "	2,	7 "
2,	23 "	4,	5 "
2,	20 "	4,	2 "
2,	19 "	3,	1 year
2,	13 "	6,	1 (under 1 year)

We also set forth a schedule showing the number of passengers carried, the volume of freight moved, the number of employees and annual payroll for the years 1939-48 inclusive; together with Statements pertaining to the earnings and expenses of the Railway for the fiscal years 1924 to 1948; and to the Railway Balance Sheet.

NEWFOUNDLAND RAILWAY, PASSENGERS AND FREIGHT CARRIED, NUMBER OF EMPLOYEES AND PAYROLLS, SPECIFIED FISCAL YEARS

RAILWAY	1939-40	1944-45	1947-48
Number of Passengers	160,705	334,750	274,497
Freight Carried (tons)	478,371	756,264	856,560
STEAMSHIPS			
Number of Passengers	42,801	57,049	52,669
Freight Carried (tons)	83,529	138,182	113,238
ALL RAILWAY SERVICES:			
Number of Employees(approx.)	2,740	4,173	4,169
Payroll	$2,239,000	$6,524,000	$6,976,900

(Source: Newfoundland Service, Canadian National Railways.)

Mr. McNamara

NEWFOUNDLAND RAILWAY EARNINGS AND EXPENSES
FISCAL YEARS - 1924 to 1948

(Source: Newfoundland Services, Canadian National Rlys.)

	Earnings	Expenses	Deficit	Surplus
1924	$3,226,710	$3,238,372	$ 11,662	----
1925	3,370,647	3,727,793	357,146	----
1926	3,009,169	3,754,488	745,319	----
1927	3,057,810	3,675,485	617,675	----
1928	3,200,909	3,647,453	446,544	----
1929	3,362,574	3,784,294	421,720	----
1930	3,714,606	4,095,100	380,494	----
1931	3,187,158	3,896,766	709,608	----
1932	2,309,087	2,648,119	339,032	----
1933	2,208,566	2,422,898	214,332	----
1934	2,573,899	2,711,515	137,616	----
1935	2,694,961	2,737,725	42,764	----
1936	2,847,863	2,892,381	44,518	----
1937	3,024,248	2,993,312	- ---	$ 30,936
1938	3,503,560	3,577,385	73,825	----
1939	3,110,577	3,415,045	304,468	----
1940	3,512,186	3,602,168	89,982	----
1941	5,015,117	4,516,488	- ---	498,629
1942	8,167,264	6,719,834	- ---	1,447,430
1943	7,713,814	7,502,126	- ---	211,688
1944	11,730,065	11,620,584	- ---	109,481
1945	12,668,130	13,193,846	525,716	-----
1946	11,140,417	12,176,037	1,035,620	----
1947	9,140,532	11,217,500	2,076,968	----
1948	9,680,604	11,651,018	1,970,414	----

Mr. McNamara

NEWFOUNDLAND RAILWAY BALANCE SHEET

Deficit as at 31st March, 1948

The Deficit on Operating Account, exclusive of Depreciation and Assets written off, as shown by Government Public Accounts from July, 1923 to March 1948 (the period during which the Railway has been operated as a public enterprise) amounted to $10,596,612.53.

Cost of Capital Additions, Improvements & Replacements:

During the same period $19,881,966.75 was expended on Capital Account. To this must be added $2,000,000.00 paid for the Railway under the 1923 Railway Settlement Act; and a further sum of $2,016, 374.07 for the present Dry Dock; making a total expenditure on Capital Account of $23,898,340.82.

The foregoing figures do not include the deficits incurred in the years 1921 and 1922 when the Railway was operated under a Government Commission, or any capital additions during that period.

Since 1934 approximately $14,000,000.00 has been spent on new freight and passenger equipment, new locomotives, the conversion from coal to oil burners, the construction of five new steamers, 'Burgeo', 'Baccalieu', 'Cabot Strait', 'Springdale' and 'Bar Haven'; the purchase of three freight vessels; and on paper sheds at St.John's and Port aux Basques, new steel bridges and culverts, re-railing roadway, new buildings and wharves.

Under the terms of union, traffic moving over the Canadian National Railways through North Sydney and Port aux Basques is designated as 'all rail

Mr. McNamara

traffic.' The result of this is that a very substantial increase in the volume of traffic to be handled by the railway is anticipated. We are informed that the total tonnage routed through North Sydney via Port aux Basques in 1948 was in the vicinity of sixty-five thousand seven hundred and twenty seven tons. It is estimated that this volume will increase by at least one hundred per cent during 1949, and so on for ensuing years. In view of this fact, it is apparent that the rolling stock and equipment comprising the inventory of the railway will have to be greatly increased if adequate facilities are to be provided to handle the volume of traffic that will appear. In this connection it must be said that operating conditions over certain sections of the railway system during the winter months present grave difficulties involving heavy expenditures resulting from snow blockades and other conditions. This applies particularly to what is knows as the "Topsail Region." In view of this fact, it is urged that alternative arrangements be made to circumvent a possible zing of traffic, in view of the anticipated increase which the terms of union make highly probable.

In considering the difficulties that require to be met during winter months, reference must be made to somewhat similar conditions obtaining in relation to the port of North Sydney. For some considerable time during the winter months, this port is subject to an ice blockade and it has been the practice in previous years to circumvent this condition by using the port of Louisburg as an outlet for passenger

Mr. McNamara

and other traffic destined for Newfoundland. Louisburg is approached by a line of railway owned by the Sydney and Louisburg Railway Company which is not an affiliate of the Canadian National Railway systems. If it is the intention to use this medium as a means of transport during the winter months, the resultant increased cost of transportation must not, in view of the Terms of Union, be made an added burden to the receiver and shipper in Newfoundland.

From figures made available to us it would appear as if the total importations into Newfoundland in 1948 were in the vicinity of 1,221,737 tons. The breakdown of this volume is as follows:-

Total Tonnage		1,221,737 Tons
Less: Bulk Cargoes		
Coal	579,000	
Oil & Gasoline	232,300	
Salt	60,300	
Timber	29,500	
Cement	26,600	
Sulphur	11,400	
Molasses	3,570	
Rum	1,085	943,755 Tons
		277,982 "
Less European (Approx.)		17,500 "
GOODS FROM CANADA AND U.S.A.		260,482 Tons
Handled through North Sydney and Port aux Basques by Newfoundland Rly.		65,727 Tons
Handled Otherwise		194,755 "
		260,482 "

Mr. McNamara

TONS OF CARGO LANDED BY PORT 1947-48

	Tons
St. John's	495,469
Corner Brook	198,399
Botwood	117,088
Lewisporte	110,458
Port aux Basques	65,727
Bell Island	40,759
Goose Bay	26,095
Curling	20,110
Clarenville	14,373
Twillingate	12,218
Bay Roberts	11,561
Aguathuna	10,013
Various (under 10,000 tons)	99,467
	1,221,737

- - which brings us back to the previous total -- 1,221,737 tons.

The movement of this volume of freight into Newfoundland will present a problem of serious importance to railway operators if this freight has to be chan eled through Sydney and Port aux Basques. It is indisputable that facilities do not exist either at North Sydney or Port aux Basques capable of handling this volume of traffic. It therefore seems imperative upon the railway to provide an alternative route to North Sydney-Port aux Basques in order to move this traffic. In these circumstances, the question as to the application of the Terms of Union and the 'all rail route' privilege to such alternative route becomes of vital importance to the Newfoundland consumer and/or receiver.

Mr. McNamara

PROSPECTS FOR THE FUTURE OF THE RAILWAY

Uuder the Terms of Union, there is only one recognized trade route enjoying 'all rail' rate privilege. If any outlet other than North Sydney, or any agency other than the Canadian National Railway is utilized to move this volume of traffic into Newfoundland, it can only be done at a rate consonant with the Terms of Union which provide that rates on freight moving into Newfoundland shall be the same as those obtaining in the Maritime Provinces. Any departure from this principle resulting in a freight structure for Newfoundland traffic at a higher ratio than that obtaining in the Maritime Provinces is a violation of the spirit and the terms of the Act of Union. In this connection, it is understood that Agreements have bee negotiated with independent carriers for the lifting of a portion of this traffic through ports other than North Sydney. The terms of these Agreements should be disclosed to this Commission with a view to its ascertaining the relative comparison between the rates so charged and the all rail route rate obtaining through North Sydney and Port aux Basques.

The future prospects for the railway are intimately associated with the prospective industrial development of the island. Given industrial expansion, with the resultant increase in traffic offering, then the prospects of the railway for the future should be hopeful. The potential possibilities in this respect depend upon the presence or otherwise of natural resources within the island for development. As presently

Mr. McNamara

constituted, the railway system across Newfoundland may be compared to a river which is unfed by tributaries. Apart from the four branch lines to which reference has already been made, few if any feeder arteries exist throughout the railway system.

Newfoundland is remarkable for her lack of road communication throughout the island. It is axiomatic that development follows road or rail communication. To this end it is suggested that feeder roads be constructed from strategic points along the coastline to the nearest railhead with a view to making short lines of contact with the coastal services. In this connection, too, it must be urged that the type of road necessary and essential should be a standard motor road properly maintained and suitable to serve efficiently the volume of traffic that might be anticipated. Further, at the junction points of the road with the railway line, adequate accommodation suitable to the needs of the travelling public should be made available. Specifically it is recommended that this policy be put into effect at two particular points of contact, namely from Springdale in Notre Dame Bay to Badger on the railway line; and from Terrenceville in Fortune Bay to Goobie's. The roads in question should be so constructed and maintained as to be able to handle motor truck traffic for the movement of freight and mails. Such lines of communication would greatly speed up the transportation of passengers and the delivery of freight and mail.

Mr. McNamara

An overall analysis of the railway transportation system would undoubtedly disclose other points in addition to those mentioned from which channels of communication to the railway would be equally justified. It is submitted that such a policy in addition to expediting traffic, would and should be a source of substantial revenue to the railway system generally.

MODERNIZATION OF THE SYSTEM

No commentary on the Canadian National Railway (Newfoundland) Services would be complete without reference to the dissimilarity between it and standard railroads on the mainland.

While it has served well the interests of the island in the past, now that it is part of the great continental railway system, it should be brought into conformity with it as expeditiously as possible. By doing so, expensive handling charges incidental to trans-shipment under prevailing conditions would be eliminated and traffic would thus move more economically and more expeditiously over the entire system.

HIGHWAYS

Highway facilities in Newfoundland are very limited. There is no transinsular road across the island, at the present time; but construction of such a road is at the moment being undertaken. The following shows the position of Completed Road Mileage and Mileage not yet built from St. John's to Port aux Basques.

Mr. McNamara

TRANS-ISLAND HIGHROAD-ST. JOHN'S TO PORT AUX BASQUES

Location	Asphalt Paved	Gravel 24' Wide	Gravel 18' Wide	Motorable Unimproved	Survd. but not yet Built	Sections not yet surveyed
St. John's City Limits to Jnct. Hodgewater Line	48.0	-	-	-	-	-
Jct.Hodgewater Line to Jct.Trinity South Road	-	-	17.2	-	-	-
Jct.Trinity South Rd. to Jct.Road to Bellevue	-	-	-	21.1	-	-
Jct.Road to Bellevue to Jct.Road to Arnold's Cove	-	-	23.9	-	-	-
Jct.Road to Arnold's Cove to Jct.Road to Terrenceville	-	-	-	12.8	-	-
Jct.Road to Terrenceville to Jct.Road to Hillview	-	-	9.0	-	-	-
Jct.Road to Hillview to Deep Bight	-		-	5.0	-	-
Deep Bight to Shoal Harbour	-	-	9.1	-	-	-
Shoal Hr.to Gander	-	-	-	-	-	85.0
Gander to Glenwood	-	14.7	-	-	-	-
Glenwood to Junction Bishop's Falls Rd.	-	-	-	-	33.5	-
Jct.Botwood Road to Bishop's Falls Ry. Station	3.4	-	-	-	-	-
Bishop's Falls Ry.Stn. to Hospital at Grand Falls	-	-	10.0	-	-	-
Grand Falls Hospital to Rushy Pond	3.0	-	-	-	-	-
Rushy Pond toBadger Stn.	-	15.8	-	-	-	-
Badger Stn. to Hall's Bay	-	-	-	32.5	-	-
Hall's Bay to Indian Pond	-	-	15.0	-	-	-

Mr. McNamara

Location	Asphalt Paved	Gravel 24' Wide	Gravel 18' Wide	Motorable Unimproved	Survd. but not yet Built	Sections not yet surveyed.
Indian Brook to Jct. Hampden Rd.	-	-	-	-	34.5	-
Jct.Hampden Road to Humber Land Settlement	-	-	18.0	-	-	-
Humber Land Settlement to Steady Brook Ry.Crossing	-	44.5	-	-	-	-
Steady Brook Ry. Crossing to Corner Brook	7.0	-	-	-	-	-
Corner Brook to George's Lake	-	-	-	21.0	-	-
George's Lake to St. George's	-	-	35.0	-	-	-
St. George's to Heatherton	-	-	-	-	17.0	-
Heatherton to St. Fintan's	-	-	-	12.0	-	-
St. Fintan's to Doyle's		-		-	35.0	-
Doyle's to St. Andrew's	-	-	-	5.0	-	-
St. Andrew's to Port aux Basques	-	-	-	-	22.0	-
TOTAL	61.4	75.0	137.2	109.4	142.0	85.0

Mr. McNamara

The undernoted figures relate to the Expenditures on Roads and Bridges 1936 to 1948

(Source: Department of Public Works, Newfoundland)

Year	Construction of New Roads		Reconditioning and Reconstruction of Roads	
	Mileage	Expenditure $	Mileage	Expenditure $
1936	49.9*	920,228*	0.5	3,170
1937			18.3	84,564
1938	2.6	12,199	29.6	189,954
1939	79.5	460,423	24.5	385,842
1940	19.5	104,266	4.0	20,437
1941	10.9	99,670	15.0	76,000
1942	1.5	2,873	18.2	143,383
1943	19.0	69,237	11.7	122,306
1944	33.2	204,597	17.7	191,530
1945	13.5	181,253	20.4	361,103
1946	34.4	477,978	7.0	92,766
1947	52.2	756,143	46.5	537,598
1948	69.7	666,556	52.0	298,295

*Includes years 1935 and 1937.

MOTOR VEHICLE REGISTRATIONS, 1939-48

(Source: Department of Public Works, Newfoundland)

Year	Cars	Trucks	Motor Cycles	Year	Cars	Trucks	Motor Cycles
1939	4,208	1,204	171	1944	4,709	1,933	109
1940	4,378	1,306	150	1945	4,530	2,247	126
1941	5,036	1,638	147	1946	5,043	3,023	116
1942	5,106	1,694	135	1947	5,885	3,759	175
1943	4,894	1,828	125	1948	7,227	4,330	225

Paving of Roads		Maintenance of Roads	BRIDGES	
Mileage	Expenditure	Expenditure	Bridges Built	Expenditure
	$	$		$
14.0	107,100	101,000	46	166,742
-	4,188	128,000		
7.8	69,360	155,000	20	49,876
9.2	98,832	267,000	31	80,372
2.8	27,680	365,000	21	54,485
3.1	46,552	416,000	36	84,708
8.0	128,471	425,000	29	81,146
9.0	113,400	536,000	24	104,457
5.6	165,152	634,000	19	118,039
11.4	261,225	697,000	25	116,235
17.4	334,008	1,004,000	19	106,588
2.2	92,086	987,000	27	158,326
16.0	479,447	1,206,000	12	156,642

At the time this Brief is being compiled, the question of the construction of a trans-island road as part of the Trans-Canada Highway is the subject matter of discussion between the Government of the Province and the Federal Government at Ottawa.

It is understood that considerable progress has been made at these discussions, but as it is engaging the attention of the Governments concerned, we are precluded from commenting upon the matter.

AIRWAYS

No regularly constituted Airways Service operates intra-provincially within Newfoundland. Because of the sparsely-settled population located largely in small settlements around the coastline, aerial transportation

Mr. McNamara

offers a means of communication that should be made available to the people.

Large areas of the island are isolated during the winter season. This applies particularly to the Northern portion including the Northern Peninsula and the bays and islands on and off the North East coast. Even during the open navigation season, communication with these areas is meagre, and the delivery of mail is infrequent owing to the large mileage to be covered by the coastal boats.

It is submitted that this isolation can be overcome substantially by the inauguration of a domestic airways system. Such a facility would provide a rapid means of communication to the areas in question and thus expedite the transporting of passengers and the delivery of mails.

Trans-Canada Airways operates through Gander and Torbay Airports an international communication system. That Organization enjoys a monopoly of 'set-down and pick-up' privileges between Torbay and Gander Airports and vice versa. The service given by this airline is, however, an international one and is not available for domestic uses except within the restricted limits of transportation confined to and from Torbay and Gander.

It is implicit in any scheme for the establishment of an intra-provincial airways system that facilities to set-down and pick-up passengers at these air terminals be made available to prospective operators. Such an Organization could, in that event, use the Gander and Torbay Airports for radiation to establish bases within Newfoundland, from which the air service

could be extended to isolated areas within the island and including Labrador.

So long as Trans-Canada Airlines enjoys the monopoly over Gander and Torbay, then so long will it be impossible for a local Company to institute a transportation system adequate to the needs of the island. It is suggested, therefore, that the facilities of these two Airports should be made available to a domestic operator. It is beyond the competence of the Provincial Government to provide adequate transportation facilities, either by land or water, to the people resident in the isolated areas of the island and of Labrador. Only through the medium of an airways system for local operations can this much needed facility be provided.

It is understood that applications are pending before the Board of Air Transport for the granting of licenses to operate such a system as is suggested in this part.

To provide a comprehensive coverage of the island and of Labrador, applicants would, of necessity, have to establish subsidiary Bases for serv cing from Gander and Torbay.

COASTWISE TRANSPORTATION

The Island of Newfoundland has a coastline of approximately six thousand miles in length; Labrador has a coastline of twelve hundred miles; making a total of seven thousand two hundred miles in all. The coast itself is deeply indented with bays and coves of varying proportions; and the population of the Island, apart from the Avalon Peninsula and the industrial

centres of Corner Brook and Grand Falls, is located largely on this perimeter. The number of people residing thereon is approximately two hundred thousand persons. These people have established homesteads in the various coves and inlets, many of them inaccessible except by water.

The servicing of that section of the population established along the coastline of Newfoundland and Labrador has always presented a problem of major proportions to the authorities. It has been apparent from the outset that no system of railway or road-links could effectively serve these people. To begin with, the cost of establishing and maintaining such means of communication was far beyond the competence of the Island's Treasury to provide. With this in view, the Governmental authorities in the island have from the earliest days been conscious of the necessity of providing a coastal steamship service to that section of the population established on the coastline and the islands adjacent to and including Labrador.

The system presently in effect was inaugurated in 1889 and it has been in operation continuously since that date. Originally this service was performed by private contractors who operated steamships pursuant to contracts made with the local Government and extending over a period of years.

From 1900 to 1914 the following ships and services were maintained and operated by the coastwise services:-

Mr. McNamara

Mr. McNamara

Labrador Service	S.S.Kyle and S.S.Invermore
Green Bay	S.S.Home
Notre Dame Bay	S.S.Clyde
Trinity Bay	S.S.Ethie
St. John's-Change Islands	S.S.Fogota
St. John's-Cook's Harbour	S.S.Prospero
St. John's-Green Bay	S.S.Portia
St.George's-Bay of Islands	S.S.Brunswick
Lewisporte-Flowers Cove	S.S.Earl of Devon
Placentia Bay	S.S.Argyle
Northern Labrador	S.S.Stella Maris and S.S.Susu alternatively
Fortune Bay-Bay d'Espoir	M.V.Gipsey Smith

It can be said that during the above-mentioned period and while the foregoing ships and services were operated, the coastal service reached its highest peak of efficiency. While the service so maintained was somewhat elaborate, yet the exigencies of the times made it necessary to maintain it at this high peak.

The primary object of the service was to provide intersettlement communication along the coastline and a direct line of communication between the various coastal ports and St. John's. The system provided, amongst other things, a mail service for which the Post Office provided a subsidy for each ship or service. It also established a channel of communication for trade and commerce with the Capital and other industrial towns and cities. It encouraged the production of natural resources such as vegetables, lumber and other products that could be easily marketed in the Capital and also for shipment there in transit to export markets.

Mr. McNamara

No data is available showing the effect of the coastal service in the development of that section of the island which it served but there is no doubt that the coastal boats provided a vital means of communication without which the inhabitants of the coastline of Newfoundland and Labrador would be very seriously handicapped and progress would be greatly retarded.

As stated above, the coastal service was originally performed by private contractors. This condition continued until 1920 when the Government of Newfoundland assumed responsibility for the operation of the Newfoundland railway. The Government continued to operate the system until 1923 when it purchased the railway from the Reid Newfoundland Company. At that time the Government took over in addition to the railway itself, the various coastal steamers owned and operated by the Reid Newfoundland Company. They acquired from Messrs. Bowring Bros. Ltd., the S.S. 'Portia' and the S.S. 'Prospero' which that Company had owned and operated from 1904. Since 1920, the service has been maintained exclusively by the Newfoundland Railway and today the following ships owned by the railway and/or its successors are in operation and plying upon the following routes:-

Port aux Basques-North Sydney	S.S. "Cabot Strait"
South Coast-Fortune Bay	S.S. "Burgeo"
Placentia Bay West	S.S. "Bar Haven"
Placentia Bay	S.S. "Bar Haven"
St. John's-Lewisporte	S.S. "Glencoe"
St. John's-Corner Brook	S.S. "Northern Ranger"

Mr. McNamara

Green Bay-Notre Dame Bay	S.S. "Springdale"
St. John's-Labrador	S.S. "Kyle"
Corner Brook-Battle Harbour	N.V."Clarenville"

Annexed hereto is a Map of Newfoundland and Labrador showing the various coastal routes.

Appended also is a schedule showing the ports of call served by the coastal steamers; number of miles covered by the service; number of passengers transported by the service; and tonnage of freight moved.

Following the acquisition of the coastal ships by Newfoundland Railway, the subsidies formerly paid to the contractors by the government, pursuant to contract, were paid by the Department of Posts and Telegraphs to the Newfoundland Railway to operate the ships.

In 1930-31 the railway steamers were paid a subsidy for the carriage of mails by the Department, amounting to $383,250.00. This subsidy was gradually reduced as time went on, due, no doubt, to the economic conditions prevailing in the island and by 1942-43 this s subsidy had been reduced to two hundred and two thousand dollars.

In September 1946 a new arrangement was made with the Post Office whereby the steamers were paid on a mileage basis of fifty cents per mile as a subsidy for the mail service, and in 1947-48 the total amount received by the Railway on account of the coastal steamers operated by it for the carriage of mail amounted to only $65,305.86.

Mr. McNamara

It is readily apparent to anyone familiar with the service performed by the coastal steamers and who is familiar with the vital need that they fulfil in the economy of this Island that the figure named above is altogether inadequate for the service performed.

On reference to the Report of the Auditor General of Newfoundland for 1947-48, pages 212-213, it will be found that the total operating deficit shown by the coastal steamers during that fiscal year amounted to three hundred and eighty-four thousand dollars. This deficit has to be borne by the railway as the Operating Managers of the above vessels and in fairness to that organization, it must be urged that this operating loss is due to the fact that inadequate subsidies are paid for the services performed. It is apparent too that if the subsidies payable in 1930-31, or figures approximating that amount, were paid to the coastal steamers, the operating deficit as shown in the Auditor General's Report would disappear. It is also in point to submit, that the figures shown as at 1930-31 must have been considered by the authorities of that day to be commensurate with the services that the steamers were performing. Since that time more expensive ships have been purchased, costs of operation have increased but the number of ports serviced and the number of steaming miles have not been reduced. It is therefore apparent that the subsidy being paid is entirely disproportionate to the service being performed.

We are instructed that within the past ten years the volume of mail traffic has increased very substantially and that, as a result, extra space has had to be

provided in the cargo holds and passenger accommodation of the ships on practically every voyage, to accommodate this service. The result has been that cargo space has been absorbed and passenger earnings have been lost.

Each ship is provided with facilities for the handling of mail and the storing thereof. If mail traffic were paid for, on the same principle as cargo, the resultant earnings to the ships would show a very much different picture. The prevailing cubic rate for cargo is sixty cents per cubic foot. It has been suggested that thirty cents per cubic foot of the space allotted to Post Office business would give the vessels an aggregate earning of three hundred and fifty thousand dollars per annum. It has also been suggested that the handling of mail traffic across the Gulf of St. Lawrence from Sydney to Port aux Basques on the present mileage basis rate of remuneration, does not give the steamers sufficient returns to pay the stevedoring charges at either Sydney or Port aux Basques. The total distance from Sydney to Port aux Basques is ninety miles. The mail subsidy is therefore forty-five dollars, and that, regardless of whether it is one thousand bags or five thousand bags.

It is also to be observed that ports of call served by these boats, in many instances, are without wharves or docking facilities. The result is that ships have to anchor in the stream and mails have to be landed in the ships' boats. This involves the necessity of sending men with the mail to the Post Office, collecting the return mail and delivering it to the ship. In contrast to this, general cargo is taken delivery of from the ships' tackles. The comparable expense caused by

delays in the delivery and picking up of mail is therefore one of serious consideration to those responsible for the economic operation of the vessels.

Within recent years competitive agencies in the form of motor boats, motor schooners and coasting vessels have made serious inroads upon the earning capacity of the coastal ships. This development is understandable when one appreciates the geographical position of the island and the facilities offered by water communication to those in a position to provide private transport. But this competition is seasonal. Small boats for conveyance of passengers are suitable only for the summer and early autumn season. On the other hand, the coastal boats are obliged to operate in certain sections of the island, notably the South West Coast and the Gulf, all the year 'round and in the Northern sections until ice conditions in late December prevent further operations. Irrespective of cargo offering or passenger traffic available, these boats are obliged to make their regular ports of call. While it is not suggested that private competition should be curtailed, apart from the requirements of the enforcement of Safety Regulationsx for life, it is urged that the fact that coastal steamers must perform the service, irrespective of traffic offering, is an additional argument in favour of their receiving adequate compensation for the service which they are obliged to perform. It is estimated that there are approximately two hundred thousand people residing on the coastline of the island, including Labrador, established in thirteen hundred settlements large and small. Only by means of the

coastal service can these people be served.

It is admitted generally that the present coastal facilities are far from adequate. Therefore the service cannot be curtailed without consequent hardship and deprivation being suffered by the coastal population. The same observations apply with equal force to any suggestion that the ports of call be reduced in number. This condition must obtain until some form of road communication is established to make contact with the railway at strategic points.

In conclusion, it is submitted that the subsidy being presently paid to the railway coastal steamers be revised upwards with a view to equalizing the service being performed with the amount to be paid and in this respect to relate such payment either to the amounts previously paid by the Newfoundland Government or to comparative payments being presently made by the Federal Government for similar services on the mainland.

We are indebted to Captain M. G. Dalton, M.B.E., Marine Superintendent of the Canadian National Steamship Service, Newfoundland, for data supplied and memorandum prepared in relation to the coastal service.

For purposes of comparison, we attach hereto schedule of rates and subsidies being paid by the Federal Government to certain interests in the Maritimes and Quebec for the provision of coastwise services.

Mr. McNamara

MAIL SUBSIDIES AND STEAMSHIP SUBVENTIONS PAID FOR THE FOLLOWING SERVICES ONLY:-

(Source: Public Accounts of Canada for the fiscal year ended March 31, 1948)

EASTERN LOCAL SERVICES	Expenditures	Additional Subsidies
Prince Edward Island and Newfoundland (Inter Island Steamship Co.Ltd.)	$ 54,000.00	$ 8',246.04
Pictou, Souris and the Magdalen Islands (Magdalen Islands Transportation Co.Ltd.)	60,000.00	18,190.75
Prince Edward Island and Nova Scotia (Newfoundland Ferries Ltd.)	100,000.00	11,351.90
Quebec, Natashquan and Harrington (Clarke Steamship Co.Ltd.)	282,500.00	
Quebec or Montreal and Gaspe calling at way ports. (Clarke Steamship Co.Ltd.)	138,000.00	59,658.98
Rimouski and Matane and points on the North Shore of the St. Lawrence. (Lower St. Lawrence Transportation Co.Ltd.)	75,000.00	18,843.17
WESTERN LOCAL SERVICES		
Prince Rupert, B.C. and Queen Charlotte Islands (Union Steamships Ltd.	194,320.00	
VAncouver and Northern Ports of British Columbia (Union Steamships Ltd.)	224,680.00	340,654.87
	$1,128,500.00	$456,945.71

Payments received by the Newfoundland Railway from Department of Posts and Telegraphs for the year ended 31 March, 1948 were:-

Mr. McNamara

(1) For conveyance of mail by Rail and Sea	$177,370.44
(2) Annual Handling Charge	15,000.00
Total from Department of Posts & Telegraphs	$192,370.44
Add General Subsidy from Finance Department	100,000.00
	$292,370.44

These payments are included in the Profit and Loss Account of the Newfoundland Railway, at page 213 of the 1948 Public Accounts as follows:-

Railway Operation	$112,064.58
Steamer Operation	65,305.86
Railway and Steamer Operations: Miscellaneous (Part)	15,000.00
General Subsidy from Finance Department	100,000.00
	$292,370.44

STEAMSHIP SERVICE PORTS OF CALL
PLACENTIA BAY - WEST RUN
S.S.BAR HAVEN - EVERY TWO WEEKS

	Mileage
Argentia to Merasheen	21
" " Presque	26
" " St. Kyran's	29
" " Paradise	40
" " Petite Forte	46
" " St. Joseph's	55
" " Oderin	62
" " Baine Harbour	69
" " Flat Island	79
" " Marystown	94
" " Burin	108
" " Great Burin	110
" " Epworth	113

Mr. McNamara

	Miles
Argentia to St. Lawrence	127
" " Lawn	140
" " Lords Cove (weather permitting)	150
" " Point au Gaul	154
" " Lamaline	158
" " Fortune	188
" " Grand Bank	193

PLACENTIA BAY - BAY RUN
S.S. "BAR HAVEN" - EVERY TWO WEEKS

	Mileage
Argentina to Ship Harbour	5
" " Iona	12
" " Red Island	20
" " Rosaru	28 (outward only)
" " Kingwell	35
" " Harbour Buffett	45
" " Haystack	54
" " Spencer's Cove	63
" " Brule	73
" " North Barbour	76
" " Sound Island	82
" " Woody Island	88
" " Bar Haven	93
" " Tack's Beach	101
" " Davis Cove	108
" " Clattice Harbour	118
" " St. Leonard's	121
" " Isle Valen	123

Mr. McNamara

SOUTH COAST AND FORTUNE BAY ROUTE
S.S. "BACCALIEU" - EVERY TWO WEEKS

		Mileage
Argentia to	Marystown	50
" "	Burin	64
" "	St. Lawrence	79
" "	Fortune	124
" "	Grand Bank	129
" "	Garnish	148
" "	Point	162
" "	St. Bernard's	175
" "	Bay L'Argent	179
"	Terrenceville	189
" "	Anderson's Cove	206
" "	Rencontre East	214
" "	Pool's Cove	224
" "	Belleoram	234
" "	St. Jacques	238
" "	English Hr. West	242
" "	Mose Ambrose	245
" "	Jersey Harbour	262
" "	Hr. Breton	264
" "	Pass Island	283
" "	Hermitage	295
" "	Gaultois	298
" "	Milltown	317
" "	St. Alban's	323
" "	Pushthrough	343
" "	Rencontre West	369
" "	Francois	378
" "	Cape La Hune	387

Mr. McNamara

	Mileage
Argentia to Ramea	411
" " Burgeo	422
" " Grand Bruit	452
" " LaPoile	462
" " Rose Blanche	477
" " Isle au Morte	491 (going West)
" " Port aux Basques	499

ST. JOHN'S - LEWISPORTE SERVICE
S.S. "GLENCOE" - EVERY TWO WEEKS

	Mileage
St. John's to Catalina	60
" " King's Cove	89
" " Eastport	110
" " Flat Is.	117
" " Flat Island	117
" " Deer Island	126
" " Indian Bay	133
" " Greenspond	144
" " Valleyfield	149
" " Wesleyville	154
" " Lumsden	173
" " Musgrave Hr.	189
" " Ladle Cove	193
" " Carmanville	204
" " Frederickton	211
" " Main Point (Big Bight)	221
" " Gander Bay	224
" " Victoria	228
" " Horwood	243

Mr. McNamara

St. John's to Stag Harbour	258
" " Indian Island	261
" " Seldom	266
" " Tilting	279
" " Joe Batt's Arm	286
" " Fogo	291
" " Change Islands	297
" " Herring Neck	306
" " Twillingate	318
" " Moreton's Hr.	330
" " Lewisporte	356

GREEN BAY SERVICE

S.S."SPRINGDALE" (Leaving Lewisporte every Sunday)

	Mileage
Lewisporte to Exploits	22
" " Fortune Harbour	33
" " Cottrell's Cove	43
" " Leading Tickle	48
" " Triton West	58
" " Brighton	61
" " Pilley's Island	68
" " Robert's Arm	71
" " Port Anson	75
" " Springdale	85
" " Lush's Bight	101
" " Beaumont	107
" " Little Bay Islands	114
" " Little Bay	124
" " Harry's Harbour	137

Mr. McNamara

Lewisporte to Jackson's Cove	145)	
" " King's Point	156)	One Way
" " Rattling Brook	159)	
" " Burlington, N.W. Arm	170)	
" " Nipper's Harbour	179	
" " Snook's Arm	188	
" " Shoe Cove	193	

NOTRE DAME BAY SERVICE

S.S. "SPRINGDALE" - Leaving Lewisporte Every Thursday

	Mileage	
Lewisporte to Campbellton	11	
" " Newstead	23	
" " Summerford	31	
" " Moreton's Harbour	44	
" " Tizzard's Harbour	50	
" " Twillingate	61	
" " Herring Neck	73	
" " Boyd's Cove	90	Inward only
" " Beaver Cove	98	" "
" " Change Islands	110	
" " Fogo	116	

NORTH SYDNEY - PORT AUX BASQUES SERVICE

S.S. "CABOT STRAIT" - TRI-WEEKLY, 1948
S.S. "CABOT STRAIT" and S.S. "BURGEO", 1949

Daily Service Except Sunday

Mr. McNamara

ST. JOHN'S - CORNER BROOK SERVICE
S.S. "NORTHERN RANGER"

St. John's to	Catalina	60
" "	King's Cove	89
" "	Wesleyville	125
" "	Twillingate	202
" "	Little Bay Islands	244
" "	Nipper's Harbour	254
" "	La Scie	281
" "	Horse Islands	294
" "	Pacquet	306
" "	Baie Verta	322
" "	Coachman's Cove	331
" "	Fleur de Lys	336
" "	Seal Cove	358
" "	Bear Cove	368
" "	Westport	373
" "	Hampden	390
" "	Sops Arm	404
" "	Jackson's Arm	410
" "	Great Hr. Deep	450
" "	Williamsport	466
" "	Hooping Harbour	475
" "	Canada Harbour	485
" "	Roddickton	496
" "	Englee	506
" "	Grey Islands	524
" "	Conche	538
" "	St. Julien's	558
" "	Fishot Island	565
" "	St. Anthony	579

Mr. McNamara

"	" Griquet	595
"	" Quirpon	607
"	" Ship Cove	614
"	" Raleigh	621
"	" Cook's Harbour	627
"	" Battle Harbour	677
"	" Cape St. Charles	687
"	" Henley Harbour	709
"	" Red Bay	739
"	" West St. Modiste	753
"	" Forteau	766
"	" Flower's Cove	783
"	" Brig Bay	799
"	" St. Margaret's Bay	807
"	" Old Port Chois	839
"	" Port Saunders	851
"	" Daniel's Harbour	881
"	" Cow Head	901
"	" Bonne Bay	930
"	" Norris Point	932
"	" Trout River	945
"	" Corner Brook	980

LABRADOR SERVICE

S.S. "KYLE"

		Mileage
St. John's to	Carbonear	40
"	" Catalina	990
"	" Wesleyville	137
"	" Twillingate	214
"	" St. Anthony	319
"	" Battle Harbour	380

		Mr. McNamara
"	" Spear Harbour	390
"	" Francis Harbour	400
"	" Fishing Ships Hr.	405
"	" Ship Harbour	410
"	" Occasional Hr.	417
"	" Square Islands	425
"	" Dead Island	430
"	" Snug Harbour	438
"	" Venison Islands	445
"	" Hawk's Harbour	450
"	Bolster's Rock	458
"	" Comfort Bight	463
"	" Frenchman's Island	469
"	" Webber's Cove	474
"	" Sandy Islands	479
"	" Batteau	484
"	" Black Tickle	488
"	" Spotted Islands	493
"	" Red Point	499
"	" Indian Tickle	505
"	" Wolf Islands	512
"	" Black Island	533
"	" Grady	536
"	" Cartwright	559
"	" Pack's Harbour	577
"	" Rigolet	646 (one way)
"	" Indian Harbour	692
"	" Smokey	695
"	" White Bears	705 (one way)
"	" Emily Harbour	718
"	" Holton	723

Mr. McNamara

"	" Cape Harrison	754
"	" Iron Bound Islands	784
"	" Mocovik	793
"	" Ailik	802
"	" Turnavik	807
"	" Hopedale	845

(Belle Isle during fishing season)

CORNER BROOK - BATTLE HARBOUR SERVICE
S.S. "CLARENVILLE"

			Mileage
Corner Brook	to	Trout River	35
"	"	" Bonne Bay	48
"	"	" Rocky Harbour	55
"	"	" Cow Head	76
"	"	" Parson's Pond	82
"	"	" Daniel's Hr.	96
"	"	" Bellburns	102
"	"	" Port Saunders	126
"	"	" Old Port au Chois	138
"	"	" St. Margaret's Bay	170
"	"	" Brig Bay	178
"	"	" St. Barbe	189
"	"	" Flower's Cove	196
"	"	" Forteau	213
"	"	" Lance au Loup	221
"	"	" West St. Modiste	230
"	"	" Red Bay	244
"	"	" Chateau	274
"	"	" Henley Harbour	276
"	"	" Cape St. Charles	298
"	"	" Battle Harbour	308

Mr. McNamara

I would like to point out that the mileage given and the total of passengers carried and the total of freight carried are in respect of the coastwise system only. They do not include traffic across Cabot Strait which prior to Confederation was a foreign movement.

Total Mileage Steamed	208,728
Total Passengers Carried	47,434
Tons Freight Carried	51,264

FEEDER ROADS

As a corollary to the observations preceding in relation to the Coastwise Service, we pass to consideration of feeder roads.

As has been observed, up until such time as road communication is established between strategic points on the coastline to the main line of railway, the demands upon the coastal service will be great. This can only be relieved by the construction of road communication which would provide an alternative channel of communication for the coastwise dwellers to that presently provided by the coastal steamers. In addition to the advantage which such a system would give the people residing on the coast, such roads would speed up communication, would facilitate the movement of passengers, cargo and freight; and would provide an additional source of revenue to the railway system. They would also facilitate the movement of the coastal boats themselves, and in many instances avoid delays presently consequent upon the fact that many of the ports of call of the steamboats are open roadsteads approachable only under favourable weather conditions.

The railway construction at the outset was conceived with a view to tapping the bays on the northeast coast of the island and this objective was substantially achieved by those who executed the plan. It is possible to implement this idea by constructing roads radiating from these points of contact so as to serve the people who inhabit the more extensive and more remote sections of these bays.

Specifically, it is recommended that the following areas be connected by road communication:--

BONNE BAY TO FLOWER'S COVE: This particular area constitutes a section of the north west coastline of the Island. From Bonne Bay to Port Saunders, a distance of fifty miles, no harbour exists, but there are four ports of call in the area: Cow Head, Daniel's Harbour, Bellburns and Parson's Pond, all of which are unapproachable except under most favourable conditions. Between Port Saunders and Flower's Cove are the ports of Port au Choix, Bartlett's Harbour, St. Margaret's Bay, Brig Bay and St. Barbe Bay, all of which are subject to the same limitations as the places named above. A road constructed from Flower's Cove to Bonne Bay would provide direct means of communication through Bonne Bay, over the Deer Lake highway to Deer Lake on the railway line, to the people resident in this particular area. The distance from Deer Lake to Flower's Cove is approximately one hundred and fifty miles and the number of people resident in the area is approximately five thousand. Steamers must make their calls and consequent delays, in Bonne Bay on the one hand, and in Port Saunders on the other, have resulted in serious loss.

GAMBO TO CARMANVILLE: The section of the coastline between Gambo and Carmanville takes in the north side of Bonavista Bay and includes the Straight Shore from Cape Freels to Ladle Cove. Within this area there are three ports -- Lumsden, Musgrave Harbour and Ladle Cove, which are inaccessible to the coastal boat except under most favourable weather conditions. The

servicing of these ports necessitates continuous delays with consequent expense incidental thereto. By constructing the road as suggested from Gambo to Carmanville as a feeder line, traffic for the above ports could be discharged and/or loaded at Wesleyville or Carmanville and then delivered by way of this road to the ports mentioned above.

TERRANCEVILLE TO GOOBIES: Terrenceville is situated at the extreme northern end of Fortune Bay and is distant fifty miles approximately from the railhead at Goobies Siding. Presently, a road of sorts connects these two points, but given improved road conditions for the servicing of passengers and the handling of freight at both places, a very convenient means of communication would be provided from the railway to the coastal boat and vice versa.

Terrenceville is a port of call on the Argentia-Port aux Basques route and presently some use is being made of this means of communication; but this could be greatly augmented if the facilities were improved.

SPRINGDALE-HALLS BAY-BADGET: A distance of approximately five miles by land separates Springdale in Notre Dame Bay from the highroad connecting Hall's Bay with Badger on the railway line.

It has been suggested that the linking up of Springdale with the Highroad at Hall's Bay would provide a very distinct advantage to the people travelling to the Green Bay coastal area by giving them a short and direct means of contact with the railway through Hall's Bay and Badger.

The specific instances mentioned herein are not pretended to be exhaustive. Besides the harbours already dealt with there are also other places on the coastal fringe which could be linked with the railway system of feeder roads.

This is a matter for investigation by transportation experts.

NATIONAL HARBOURS

We are advised that the establishment of one or more national harbours in Newfoundland was the subject matter of discussion between the delegates from Newfoundland and the representatives of the Canadian Government who negotiated the terms of union at Ottawa. The establishment of one or more such harbours within the Island is a matter of far-reaching importance to the future economy of Newfoundland. Because of Newfoundland's geographical position on the one hand, her economic position on the other hand and the fact that she has one or more harbours suitable to development as a national harbour makes it imperative that the idea discussed by the negotiators be implemented.

It is submitted that in advocating the establishment of such a public utility as a national harbour in Newfoundland, the fact should be kept in mind that such a harbour can, in addition to assisting in the development of the internal economy of the island, be an important link in international trade. In other words, in addition to its being a gateway for the importation and export of goods to and from Newfoundland'

it could also be made a free port for the concentration of shipping and for the distribution of goods over the main trade routes of the world.

The idea of a national harbour in Newfoundland, with free appropriate port facilities, is not new. It has exercised the minds of able men for many years. It has received the approbation and support of trade organizations, shipping interests, the press and governments in the past.

Past discussions on this matter have centered around Mortier Bay which is a port with large natural facilities situate on the west side of Placentia Bay and on the south coast of Newfoundland. What has been said and written in relation to Mortier Bay and in support of its being constituted a free port applies mutatis mutandis to other harbours on the south west coast to which this submission is particularly directed.

Newfoundland is rich in natural harbours, her coastline is deeply indented, bays of large proportions exist all around the coastline and it is quite conceivable that more than one national harbour would be justified in the scheme of things. To this end, attention is directed to the following ports:

ST. JOHN'S on the east coast of the island and the capital of the province is situate on a fine harbour. This harbour has deep water; it is well sheltered, but it is capable of handling only ships of moderate tonnage. It has a modern dock and ship repair facilities. For centuries, St. John's has been the principal port in the island. It is ice-free all the year round and because

of its natural facilities it was selected by the pioneers. It is the eastern terminus of the Newfoundland Railway and coastal system and St. John's itself, the capital, is the principal supply centre in the island.

St. John's was a very important convoy centre during World War II and its use as a base was a vital factor in the Battle of the Atlantic.

Consideration could well be given to the improvement of harbour facilities at St. John's, but any worthwhile development would involve the acquisition by the harbour authorities of privately-operated premises on the north side of the harbour. With one or two exceptions, no modern docking facilities exist on the north side of St. John's harbour. The piers are mere jetties jutting out from the foreshore. They have been occupied and used by the mercantile community for centuries.

Any worthwhile development of the harbour facilities at St. John's would entail the construction of a sea-wall on both sides of the harbour, running from the dockyard at the extreme western basin to the American Naval pier on the north side.

Already a breastwork constructed by the British Admiralty exists on the south side of the harbour. As this is of wooden construction, it is doubtful if it is sufficiently strong to carry railway facilities which would be an essential utility in this connection. Any harbour development in relation to St. John's should contemplate the extension of the railway on both sides of the harbour from the terminal in the west end to the east end of the contemplated seawall.

The establishment of such facilities is a matter

for investigation. If the port is to maintain the historic importance to the strategy of the western hemisphere and to the economy of the island that it has had in the past, it is absolutely essential that harbour improvements be instituted.

ECONOMIC OUTLOOK FOR ST. JOHN'S

The impact of confederation upon St. John's as the chief trading and distributing centre of the Island will be revolutionary.

Heretofore it has been the chief receiving centre and distribution point for imports into Newfoundland.

Because of the diversion of trade from sources of supply in the United States of America and Europe to Canadian suppliers, and because of the re-routing of imports through gateways more contiguous to the mainland than St. John's, this import business, with its consequent distributing trade, will be lost irrevocably to the capital. It is safe to say that in time, the trading and distributing activities of St. John's will be limited largely to the Avalon Peninsula. This prospect poses a matter of grave concern to that section of the population residing within and around the Avalon Peninsula. It is of particular moment to those resident in St. John's.

No basic industries exist in St. John's. No natural resources capable of providing a basic economy are to be found within its immediate vicinity, with one exception. It therefore follows that with the falling off of import trade through this port, and the consequent loss of its primary position as the distributing centre

for the island, an alternative economy must be built up or St. John's will not only fail to maintain its present position, but must inevitably suffer a decline in trade and employment of serious and far-reaching proportions.

The local industries located within the area may exist precariously for some time to come, but it is difficult to see how manufacturing concerns within St. John's can compete effectively with mass-producing units engaged in the same line of business on the mainland.

There is one ray of hope in this dark outlook. It is to be found in the establishment at St. John's of a great producing and processing centre for the products of the sea. The harbour is ice-free all the year round and for this reason it can be utilized as a base for such an operation. Its geographical position is such that it is contiguous to the greatest fish producing area in the world -- the Grand Banks of Newfoundland. It is generally admitted that eventually a market can be found in the United States of America for the major part of the production of the Newfoundland fisheries. It is also admitted that the cost of fish and fish products at St. John's, Newfoundland, because of its close proximity to the fishing areas, should be lower than in any port on the North American continent. Again, it is generally conceded that the nearby sources of supply available to producing centres on the mainland are rapidly becoming depleted, with the result that producers are obliged to utilize more and more the Grand Bank areas for their requirements in this respect.

This one factor provides hope for St. John's City. But in order that the hope may be realized, two

requirements are essential: firstly, capital sufficient to develop the industry and to provide an earning increment to the population commensurate with that lost through changed economic conditions. The second requirement is that the investment to be made must be protected against labour exploitation. If the industry when established is to be subject to uncontrolled demand of labour, then it has no hope to survive. In this respect necessary safeguards must be provided whereby a fair wage return is ensured. At the same time, the industry itself must be protected. It follows that prohibitory regulations against the use of mechanical appliances in the port must be abrogated. It is essential that the handling of cargoes at St. John's must of necessity be done as efficiently as in other principal ports and working conditions must conform to the general pattern obtaining in ports of similar size engaged in business activities of a similar nature as that proposed.

It might be suggested that observations upon the economic outlook of St. John's have no part in a brief relating to transportation facilities. It is because of the number of people who will be directly affected by the change and the vital importance to them of the falling off of trade that we advert to this position at this place.

NEWFOUNDLAND HOTEL

The Newfoundland Hotel was constructed in the year 1925 at a cost of about one million dollars. The operating company defaulted on its interest payments on first mortgage bonds guaranteed by the Newfoundland

Government and in the year 1929-30 the Government was compelled to redeem the bonds and take possession of the hotel. It has operated as a government utility since that time. The hotel is continuously filled to capacity and the accelerated demand for accommodation since confederation has been of such proportions that a programme of expansion and improvement in the service should be initiated as soon as possible.

Such improvement should contemplate a redesigning of certain sections of the interior for better utilization of space for room accommodation, thus removing errors in the original planning of the building.

CORNER BROOK

CORNER BROOK is situate at the extreme eastern end of the Humber Arm at the head of Bay of Islands and it is the outlet for the products of Bowater Newfoundland Pulp and Paper Mills. The harbour is commodious and well sheltered, but it is subject to the disadvantage of being closed for a considerable period of the year due to freeze-up on the one hand and ice blockade on the other.

The port itself is well equipped with dock and cargo-handling facilities, but these are privately owned.

Doutbless the importance of Corner Brook as a port will increase owing to its close proximity to the river ports of Montreal and Quebec, and to the fact that it is a natural gateway to the west coast of the Island, during the open season.

Any expansion of worthwhile proportions in the

general carrying trade will necessitate the development and expansion of harbour facilities. In this respect, consideration will have to be given to the making available of the harbour facilities to carriers generally; a position which does not now obtain.

It is anticipated that a brief in relation to Corner Brook will be presented by local interests who will doubtless state specifically the requirements of the port and make the recommendations necessary to implement them.

ARGENTIA

Argentia, the site of the American Army and Naval Base, affords natural facilities that already have been appreciated by the American authorities. In addition to its being the site of extensive naval and army installations (which, in fact, embrace the entire land area of the Argentia Peninsula, with the exception of a narrow strip of foreshore on the west side of the harbour), it is the terminal of the Argentia branch of the Newfoundland Railway as well as the turn-around port for the South West Coast and Placentia Bay Coastal Services. Modern docks exist at which ships of any tonnage can berth without difficulty. Dry docks and harbour facilities have already been established.

It has been suggested that Argentia be considered as a possible site for a national harbour.

In relation to Argentia, it must be observed that while many natural factors exist in favour of its being so selected, the fact remains that unless an

agreement could be made with the American authorities for the relinquishing of space, insufficient remains to allow for any worthwhile development.

BAY D'ESPOIR: It is our submission that one port on the southwest coast lends itself particularly to development as a national harbour. This particular port is situate at the head of Bay d'Espoir at the bottom of Hermitage Bay. It is a commodious harbour with deep-water approaches. It is ice-free all the year round. It enjoys, in addition, a waterlane approach which is unobstructed at any time, by drift ice. It is situate a distance of 384 miles from Halifax, and it is eighty miles, as the crow flies, from Grand Falls, the industrial metropolis in the centre of the island. The mines at Buchans operated by the Buchans Mining Company are within easy reach of this prospective port. There are, we are informed, substantial stands of raw timber within its immediate vicinity and there is reason to believe that ore bodies of some proportions exist within a radius of miles. A source of hydro-electric development exists in Bay D'Est within a radius of twenty miles. The construction of a branch railway from the main line at either Grand Falls or Bishop's Falls to the head of Bay d'Espoir would provide an artery of communication through the centre of the island that would afford an all-year round outlet for the products of the paper mill at Grand Falls and the mine at Buchans. It would also provide an import channel for goods to the central and western sections of Newfoundland throughout the entire year. Raw timber from the area to be transported to

the mills at Grand Falls and Corner Brook and the railway itself could be and should be a source of substantial revenue to the parent system.

Moreover, a harbour development in Bay d Espoir, combined with a rail service to the cross-country trunk railway, would offer our neighbours on the Islands of St. Pierre and Miquelon, less than fifty miles off shore, the possibility of quick transit through Gander to France, Canada and the United States, and such other advantages as might induce the French population to use the combined steamship and rail services so provided to speed up communications between the Islands and the Canadian mainland.

Annexed hereto is an Admiralty Plan of Bay d'Espoir which gives depths and soundings to prove the assertion that the harbour is adequate to the establishment of a national port.

It is a fact well known to seamen and navigators generally that a clear approach exists all the year round to that portion of the south coast of Newfoundland between Cape St. Mary's and Cape La Hune. The reason is that the northern ice coming down from the Arctic is split by the Northern Peninsula of Newfoundland. One portion passes down through the Gulf of St. Lawrence; another section drifts south along the east coast of the island and thence indefinitely until it disappears into the waters of the Gulf Stream. Because of the action of the Arctic current, these two fields of ice never meet. A clear lane of water exists between them, leading in over St. Pierre Banks to the area in question.

Bay d'Espoir, therefore, in addition to the

natural advantages which it enjoys within itself has the added advantage that it is approachable all the year round.

Since the foregoing was written, we have been informed by reliable authority that the hydro-electric potential of Bay d'Espoir is 400,000 h.p. and there exists in the Bay d'Espoir area approximately one million cords of standing timber. This wood is found on the watershed of the rivers draining into Bay d'Espoir, Gray River and Fortune Bay.

It has also been suggested that the establishment of a pulp and paper mill of considerable size in this area is a practicable proposition. In this respect, the timber areas of Labrador which comprise forty million cords of pulpwood, would be available as the main source of supply for the feeding of such a mill.

Thus it can be seen that the waterpower potential of Bay d'Espoir has vast possibilities. A substantial stand of timber exists on the spot with a supplemental supply available at Labrador to feed a prospective paper mill of considerable size. Minerals are located within the area itself or conveniently adjacent thereto at Buchans. It follows therefore that all the basic factors necessary and requisite for large-scale industrial development are found in this area.

In addition to woodpulp, newsprint and allied products, aluminium, rayon, cellulose and other chemical by-products are among the many commodities that could and should be manufactured in this natural reservoir.

FREE PORTS

Bay d'Espoir is situate approximately one hundred and thirty miles west of Cape Race. Cape Race, the extreme southeast corner of Newfoundland, is the meeting point of the principal North American trade routes including those up the St. Lawrence to the Great Lakes. Free ports, as such, are not unknown throughout the world. Two or three, at least, presently exist in Europe. In these harbours customs duties are not imposed; goods can be discharged and reloaded or manufactured and refabricated in any form without being subjected to local customs laws.

For a number of years prior to 1930, Mr. H. C. Thompson worked for the establishment of a free port at Mortier Bay -- a large, land-locked and ice-free harbour in the Burin Peninsula on the south coast of Newfoundland; and in 1930, the Newfoundland Government passed an Act in favour of the Great Lakes, Newfoundland, Atlantic Company Ltd., a company incorporated in Newfoundland, and of which Mr. Thompson was the principal supporter, for the purpose of:--

(a) Establishing a free port in Mortier Bay,

(b) Maintaining a service of vessels between the free port and the Great Lakes, and

(c) Arranging for connecting Atlantic Steamship services in order to provide through freights, on through bills of lading, between the Great Lakes and trans-atlantic ports.

The proposal of a free port met with a very favourable response from the interests concerned but the

world-wide depression of 1930, and later the war, caused unforeseen delay which prevented the carrying out of the Act.

On the 25th October, 1937, the Commission of Government of Newfoundland granted the company a further two years in which to obtain five hundred thousand dollars as an instalment of the amount estimated by the consulting engineers to be required for the construction of the first stage of the free port. However, Mr. Thompson, having devoted many years to the plan of establishing a free port, lost his life by enemy action in the early days of World War II without bringing his great ambition into being.

Briefly, the project rested broadly on the geographical relation of the south coast of Newfoundland to the continents of America and Europe and the Canadian and the United States eastern seaboards and the American Great Lakes. The port was to be a transfer station for world freight outward from Scandinavian countries, Great Britain and Northern Europe, on through bills of lading, to the Great Lakes, and on the homeward voyage for cargoes of grain and general merchandise from the Great Lakes consigned to British, Scandinavian and European ports.

"The Proposed New British Empire Free Port in Newfoundland" contained a full and comprehensive statement of the objects of the free port, and of the advantages to be gained from it, from which the following extracts are taken:

> . . . Use, hitherto, has been made of the navigation of the Great Lakes by small seagoing vessels, mostly from the Scandinavian countries

which cross the Atlantic and go right up to the head of the Lakes, passing through the locks and the canals of the St. Lawrence River.

"But the lakes are gradually becoming shallower; owing, it is said, to the Chicago drainage canal, and to the extensive deforestation of the lake shores. Whatever may be the reason, the canals, which formerly could be used by vessels drawing fourteen feet of water and carrying twenty-five hundred tons of bulk cargo, can now only accommodate vessels drawing less than thirteen feet and carrying not more than thirteen hundred tons.

"The use of such small vessels for the long journey across the Atlantic is not economical, and it is proposed now, as it was proposed at the time that the Act was passed, to establish a steamship service between Mortier Bay and the Great Lakes. This service will begin with chartered vessels to provide regular sailings, on time schedule, between the Free Port, Detroit and other Great Lakes cities. These chartered ships will be gradually replaced by specially constructed vessels having a greater speed, probably fourteen knots or more, and carrying such cargo as may be found most economical from considerations of draft and speed. They will be assured, going to the Great Lakes, of full cargoes consisting mainly of Scandinavian woodpulp, with a certain amount of general merchandise, and will have cold storage for at least fifty tons of Newfoundland chilled fish. Their design will be such

as to permit of their carrying a full cargo of package freight and general merchandise; this, of course, occupies much more space than bulk cargo which will comprise the major part of the inward shipment, but it will command a much higher rate of freight.

Assurances have been received from the principal exporters of woodpulp in Sweden and Finland that great quantities of woodpulp will be available for shipment when the free port is established, and when the connecting steamship service between it and the Great Lakes enables through shipments to be made between Scandinavian ports and the Great Lakes, on through bills of lading.

"The package freight and general cargo seeking shipment from the Great Lakes to the Scandinavian countries and northern Europe is considerable, and assurances of support for the route have been obtained from many Great Lakes manufacturers and shippers who have satisfied themselves that substantial savings can be made from its use.

One of the main disadvantages of the concentration of Canadian grain in immense elevators in Montreal and at the Head of the Lakes, is that grain is not accessible during the winter, and a great deal, therefore, passes through United States ports, chiefly New York. A great grain depot can be created in Mortier Bay under commercially profitable conditions as grain can be brought there in large

quantities during the open season at a low rate, and stored very cheaply; and it would be available for shipment out whenever required, and at any time of year, an important factor in time of war.

"Ocean charges depend not on distance alone but on low terminal costs, and on the rapid clearance of vessels.

"Mortier Bay with its natural advantages, its deep-water berths, and the use of modern machinery, will give extremely quick dispatch, and will be one of the cheapest of the great ports of the world."

The Report of the Newfoundland Royal Commission said this:

"The scheme is based on the geographical situation of Newfoundland and on the advantage of water over rail transport. It is intended to eliminate the present costly haul by providing as far as possible all-water transportation. What this might mean in economy may be gathered from an estimate by the International Joint Commission that one ton a railway mile will cost as much as sixtons a water mile."

Sir T. Inskip in the debate in the House of Commons on "Food Storage in War Time" on February 9th, 1938, said that the danger from the air was considerable and that might have an effect in the destruction of granaries at the ports. Nobody suggested it was desirable to put large quantities of food in store at ports, open to attack. . . . Two years ago there were places on the west coast which he would have said were

reasonably immune from air attack. He was not at all sure whether they were immune today with the increased range of aircraft.

The Imperial Shipping Committee, to which the Newfoundland Government had previously referred the matter, stated in their report:-

"The present scheme is in essence one to provide a better outlet to the world's markets for the products of the middle-West of the United States, and to develop the natural resources of Newfoundland. Nevertheless it has certain Inter-Imperial aspects; the Canadian Great Ports, such as Toronto, would no doubt share in the traffic through the canals, and improved facilities might be provided on the ocean between certain parts of the Empire, for instance between Newfoundland and the West Indies. We think that from this point of view the scheme, if ultimately carried out in its entirety, would assist in improving the communications and thus in developing the trade of the Empire.'

In view of the present condition of world commerce we are not in a position to state whether there is any economic necessity for putting a scheme like the Mortier project into operation either now or in the near future. However, in planning ahead, it should not be overlooked that the advantages which Mortier Bay would appear to offer to international seaborne commerce as a trans-shipment base for commodities bound for or proceeding from St. Lawrence and Great Lakes, would be equally present;

indeed they would be present in fuller measure if Bay d'Espoir were used instead of Mortier Bay for a port development. It is because of the strategic position Newfoundland occupies in global strategy that a national harbour on the south coast of the Island might prove its usefulness in the future as a storehouse for defence supplies and materials.

RECOMMENDATIONS

It is respectfully recommended that the Commission make the following recommendations in relation to the Province of Newfoundland:-

1. THAT road communication islandwise be developed with a view to the strengthening of the strategic advantages which Newfoundland offers to the mainland.

2. THAT steps be taken to construct a military road from Gander Airport to the nearest ice-free port on the coastline, and in this connection Bay d'Espoir is recommended as the point of contact.

3. THAT in view of the inadequacy of facilities at North Sydney and Port aux Basques to handle greatly increased tonnage, arrangements be made for alternative outlets for Canadian traffic. In this connection it is suggested that the Port of Halifax and/or St. John be made alternatives to North Sydney; and that Bay d'Espoir, St. John's and Corner Brook be made alternative ports to Port aux Basques.

4. THAT in the event of an alternative or alternatives to North Sydney being selected, it is urged

that the all-rail route privilege as provided for in Section 32 of the Act of Union be made applicable to traffic moving through such alternative outlets.

5. THAT failing the establishment of adequate facilities at Louisburg and over the Sydney-Louisburg Railway for the handling of passengers, mail and freight, winter traffic through and from the mainland be diverted through Halifax and/or St. John. Alternatively, in the event of Louisburg being retained as a winter terminal alternative to North Sydney, then the additional transportation costs incidental to the user of Louisburg should be absorbed in the through rate and the all-rail rate at present in effect between North Sydney and Port aux Basques and vice versa be made to apply mutatis mutandis to Louisburg and Port aux Basques.

6. THAT consideration be given to the modernization of the railway system with a view to bringing it into conformity with the standard system on the mainland with which it is affiliated.

7. Alternatively, in the event of the standardization of the Newfoundland Railway system with the mainland system being found impracticable, that immediate consideration be given to the improvement of the existing railway by the reduction of gradients and the elimination of curves.

8. THAT in view of the increased volume of traffic to be moved by the Canadian National Railway (Newfoundland) Services, additional equipment in the way of rolling stock, including locomotives, freight and passenger cars be provided, adequate to the needs of the service.

9. THAT additional refrigeration facilities for the efficient handling of perishable goods, specifically fish, fruit and foodstuffs, be provided on the steamships operated by the railway system and also that additional refrigeration cars adequate to the needs of the service be provided for the railway.

10. THAT additional coastal steamers be provided by the Railway in order to make adequate passenger accommodation available to the travelling public, thus removing the dangerous condition of overcrowding which presently exists in ships engaged in the service.

11. THAT investigation be instituted immediately into the feasibility of constructing Feeder Roads; such investigation to be directed towards ascertaining the most suitable points on the coastline to which and from which such feeder roads should lead to the railway system, with a view to providing:-

(a) a better means of communication for passengers, mail and freight to and from points on the coastline not touched by the railway and the coastal system,

(b) means of direct contact between selected points on the railway and selected ports served by the coastal system,

(c) a more adequate means of transportation between open harbour ports of call and selected ports of call where adequate harbour facilities exist; with a view to expediting inter-coastal traffic,

facilitating the movement of coastal boats and thus avoiding expensive delays.

12. THAT air transportation intra-provincially be encouraged as a means of expediting the movement of passengers and mail. To this end it is recommended that a licensed operating company and/or companies be given set-down and pick-up rights in relation to airports at Torbay and Gander. And it is further suggested that the Department of Posts be encouraged to let contracts for the carriage of mail to such licensed company and/or companies and that payment therefor be such as to enable the operating company and/or companies to function efficiently.

13. THAT in view of the importance of the coastal service to the economy of the Province, it is recommended that adequate subsidies commensurate with the service performed be paid for that service. It is therefore respectfully suggested that subsidies be paid to the coastal service on the same basis as those presently being paid for similar service in the St. Lawrence River and the Gulf ports.

14. THAT an investigation be instituted with a view to the improvement of the harbour facilities at St. John's, Corner Brook and Port aux Basques.

15. THAT steps be taken without delay to inquire into the feasibility of establishing at Bay d'Espoir on the South West Coast, a national harbour; such investigation to include the practicability of establishing a branch line of railway to connect the said harbour with the most convenient point of the main line of railway.

It is also recommended in this connection that the advantages of such a harbour to the general economic well-being of the Province be inquired into, particularly with reference to its suitability as an inlet for goods entering the province for distribution throughout the central and western areas as well as an all year-round outlet for exports from the central manufacturing and mining areas. Its suitability as a terminal for military road connection with Gander Airport should also be inquired into. It is further suggested that the advantages or otherwise of establishing it as a free port be investigated.

Respectfully submitted,

P. J. LEWIS,

of Counsel for the Province of Newfoundland.

(Signed) J. R. Smallwood,

Premier.

MR. COVERT: There are two maps attached to the brief, so I think that if perhaps five copies of the brief were filed, with the maps in them, it would be Exhibit 76.

EXHIBIT NO. 76 -- Submission of the Government of the Province of Newfoundland.

THE CHAIRMAN: I wonder if I might ask if the maps would indicate more clearly the roads mentioned in the brief. I notice Flower's Cove does not seem to be indicated on this map.

MR. COVERT: I was going to ask during the

questioning if we might have them indicate the places on the map.

MR. LEWIS: We intend to implement that.

THE CHAIRMAN: I suppose you will go on with the questions tomorrow morning?

MR. COVERT: Yes.

THE CHAIRMAN: That is all we have this evening?

MR. COVERT: Yes.

THE CHAIRMAN: We will adjourn until tomorrow morning.

MR. COVERT: I was going to ask for 10.30.

---The Commission adjourned at 5.30 to meet again on Wednesday, September 28, 1949, at 10.30 a.m.

Canada.

ROYAL COMMISSION
ON
TRANSPORTATION

EVIDENCE HEARD ON

SEP 28 1949

VOLUME

33

ROYAL COMMISSION ON TRANSPORTATION

Index Page #49

- - - -

ROYAL COMMISSION ON TRANSPORTATION

ST. JOHN'S, NEWFOUNDLAND,
WEDNESDAY, SEPTEMBER 28th,1949.

THE HONOURABLE W.F.A.TURGEON, K.C. LL.D. - CHAIRMAN

HAROLD ADAMS INNIS - - COMMISSIONER

HENRY FORBES ANGUS - - COMMISSIONER

- - - - -

G. R. Hunter,
Secretary.

P. L. Belcourt,
Asst.Secretary.

- - - - -

APPEARANCES:

F. M. Covert, K.C. Gaston Desmarais, K.C.	Counsel to the Commission
A. K. Dysart, K.C. Graham Macdougall,	Counsel for the Canadian National Railways.
A. W. Izzard	Appeared on behalf of the Canadian Pacific Railway.
P. J. Lewis, K.C.	Counsel for the Province of Newfoundland.

- - - - -

ROYAL COMMISSION ON TRANSPORTATION

St. John's, Newfoundland,
Wednesday,
September 28, 1949.

---The Commission met at 10.30 a.m.

MR. COVERT: Mr. Chairman and Commissioners, you will remember that yesterday the Province's brief was read and finished, and the first witness will be Mr. McNamara. Will you take the stand, please, Mr.McNamara?

GEORGE C. McNAMARA, recalled

MR. COVERT: Q. Have you a copy of the brief with you?

A. Yes.

Q. Would you turn to page 13 now -- under the heading "Manufacturing" you give the total number of employees and the wages paid, and the total value of the annual sales. Now, as I understand from the brief, those statistics are compiled from 32 secondary manufacturing firms, and what I want to know is, if that, apart from the mining industry and the pulp industry and the manufacturing industry, if that would give a pretty fair cross-section of what is left, pretty nearly all?

A. All of the secondary manufacturing. It would not of course take in say, cooperage and allied small scale industries connected with the forests, but I would say that that figure of the manufacturing here would be representative of the entire production.

THE CHAIRMAN: These industries referred to apart from what others?

MR. COVERT: That would be the mining.

THE CHAIRMAN: And generally what -- did Mr. McNamara say?

MR. COVERT: Q. It would not include, I think he said, such things as cooperage which would be allied with forest industries. Is that correct, Mr. McNamara?

A. Yes.

Q. I notice that it seems to be pretty close to the figures that are submitted in another brief that is to be read to us. I think that instead of 3,500 employees they say 4,000, and I believe they give a total volume manufactured around 16 million?

A. Yes.

Q. I just wanted to check to see if, generally speaking, that was pretty well what is left of the industries after taking out the basic industries.

A. That is correct, in and around St. John's. These manufacturing industries are located mostly in St. John's.

Q. And most of the secondary industry is in and around St. John's?

A. Well, between 50 and 75 per cent is.

Q. I see.

A. There are industries in Harbour Grace, Carbonear, but these are St. John's manufacturing concerns.

Q. I see. Well then, perhaps for the whole province the secondary industries would -- it would have to read --

a figure of somewhere between 25 and 50 per cent of that?

A. I would say that would be approximately the view.

Q. Now, would you turn to page 16. In the 4th paragraph from the bottom, dealing with the Airport at Gander, you suggest that the lines of communication to the seaboard should be constructed, and this is followed in the second last paragraph from the bottom of the page with the statement:

> "It is suggested therefore that immediate steps be taken to construct and maintain lines of communication from the Gander Airport to the most accessible and nearest port of entry to the Canadian mainland."

Now I take it that that recommendation is made purely as a matter of defence:

A. Entirely in relation to Gander.

Q. Do you know, Mr. McNamara, whether this has been taken up with the Department of Defence?

A. Not to my knowledge.

Q. Would this road be regarded as a purely military road?

A. Primarily.

Q. Now that road -- the recommendation for the building of that road -- is perhaps on a different basis than the feeder roads with which you deal later in the brief?

A. Yes, that is in a special category.

Q. Now then, would you turn to page 19. In the statistics at the bottom of that page dealing with total

freight carried by the railway and the steamships, my understanding is: (1) That those steamship figures are for the steamers operated by the Newfoundland Railway, and now by the Canadian National Railway -- is that correct?

A. That is correct.

Q. So the total of those two tables would be the total tonnage -- would be the total carried by rail and steamships of the facilities now operated by the Canadian National Railways?

A. That is correct.

Q. Would you turn now to page 21, at the very bottom of the page it gives the tonnage handled through Port aux Basques by the Newfoundland Railway, 65,000 tons. You follow me?

A. That is so, in so far --

Q. Would the 856,000 figures shown on page 19 -- that would include that 65,000, I suppose?

A. That is correct.

Q. So that the major portion of the tonnage carried by the railway is internal trade; only 65,000 of the total freight carried goes through Port aux Basques; that is the export and import; that includes -- No, I am sorry, Mr. McNamara, the 65,000 figure is the total imports.

A. The total imports into Port aux Basques.

Q. That would be freight imported through Port aux Basques?

A. That is the total figure for imports through Port aux Basques.

Q. Now are there any other figures for tonnage

going through Port aux Basques the other way?

A. Export tonnage?

Q. Yes.

A. There are, but unfortunately I did not deal with that aspect of the matter. That tonnage represents principally pulpwood. I would like to add to that pulpwood -- and it is also an outlet for fish for the Brazilian and American market, fresh and frozen, and when I said pulpwood I meant newsprint.

Q. I am trying to arrive at the imports through Port aux Basques, and the exports, and to see what portion was routed by the railway. I do not know whether that could be done or not.

A. Not from the figures we have prepared, but if you so wish I shall look them up and answer that later.

Q. Would you do that?

A. I shall be pleased to do that for you.

Q. Now on page 20, at the bottom of the page, you deal with the capital additions, and I just want to clarify one point on capital additions to the railway. It shows that during the period -- from the period that the Government took over the railway until confederation -- the expenditures on capital account were $23,000,000 odd -- nearly $24,000,000 and in the last paragraph on that page it sets out:

> "Since 1934 approximately $14,000,000 has been spent on new freight and passenger equipment. . . "

and so on. Now that $14,000,000 would be included in that $23,000,000 figure, would it?

A. The $14,000,000 would be included in the $23,000,000 figure, but I should like to explain that. The $23,000,000 figure did not bring us up to the time of confederation. It brought us up to the year -- to March, 1948.

Q. That would be less -- oh, I see, less a year, nearly a year and month?

A. A full year, the expenditure for 1948-1949 -- these figures are not available. The Public Accounts are not issued. That figure might be in the vicinity of $5,000,000.

THE CHAIRMAN: Q. Does that apply since 1934?

A. Yes.

Q. And at the end of March, 1948, that would be the figure?

A. That is correct.

MR. COVERT: Q. That $14,000,000 figure, would not that include the year prior to confederation either?

A. No, that would not include it.

MR. COVERT: Page 21 ---

COMMISSIONER INNIS: Q. Before you leave that, may I ask as to the deficit on page 20. I am not quite clear what arrangements were made about capital account; that is to say, does this include fixed charges and interest on the capital?

A. No, that would not include interest; that is the capital outlay on the railway.

Q. Is there any way to get the figure in which the interest would be included to show what the real deficit is?

A. The Public Accounts -- there were no accounts as such for the railway up to -- I am speaking from memory -- ten or fifteen years ago, and about that time they were brought down in proper form, balance sheet and profit and loss account, but I do not think there was provision in the balance sheet for interest on capital items or --

HON. MR. SMALLWOOD: Q. Depreciation?

A. Depreciation is in at the moment but there is no item for interest on the balance sheet and profit and loss accounts of the railway.

COMMISSIONER INNIS: Q. There would be no way of getting that?

A. I think it would be difficult to get that.

MR. COVERT: Q. On that same point, in the paragraph:

> "The deficit on Operating account, exclusive of depreciation and assets written off, as shown by Government Public Accounts from July, 1923, to March, 1948 (the period during which the railway has been operated as a public enterprise) amount to ten million odd."

That is in the first paragraph immediately following that table on page 20. Does that mean that in the operating expense shown here depreciation is not taken as an expense?

A. No, it means that the deficit would be considerably greater, would be considerably greater if the factor of depreciation were included. It actually is included in the accounts, but I did not give effect to it in reporting it here.

Q. Now then, Mr. McNamara, on page 21, in the first paragraph, the top of the page, you estimate that the volume of the traffic through Port aux Basques would be doubled in 1949. It is as follows:

> ". . . will increase by about 100% during 1949."

That is about the seventh line from the top. Have you seen any figures for the first, say, six or seven months of this year?

A. If there is a railway representative present he might answer that question; I think there is one here.

MR. DYSART: I can inform the Commission and the witness that for the first five months since the Canadian National has been operating the Newfoundland Railway there has been an increase of approximately 33 per cent in the traffic and not a hundred as suggested in the brief.

THE CHAIRMAN: An increase in what?

MR. DYSART: The volume of traffic between North Sydney and Port aux Basques.

THE CHAIRMAN: An increase over a similar period?

MR. DYSART: Over a similar five months in 1948, and it might be worth while as indicating the trend.

THE CHAIRMAN: Yes. I think that answers the question I am trying to arrive at, what you were basing an estimate --

MR. LEWIS: Would that include shipments out of Port aux Basques by rail and water, that 33 per cent? Does it include water liftings out of North Sydney?

THE WITNESS: No.

MR. COVERT: Q. What is the water lift?

A. I have not the figures.

Q. I put that question, Mr. McNamara -- the way I read the brief it says, It is estimated that this volume" -- that is apparently the all-rail route through North Sydney and Port aux Basques -- that is what you would estimate as double?

A. My impression is, sir, that in discussing this matter with railway officials we were informed unofficially that the increase was quite substantial and on that basis which we were discussing if it were maintained the total increase would be from seventy-five to one hundred per cent from pre-confederation days.

Q. I just want to make sure that this 65,000 ton figure that has been used, that is referred to there, and is referred to on page 21, when it says "Handles through North Sydney and Port aux Basques" that is the actual figure, the tonnage figure, that would arrive at Port aux Basques via the steamer from North Sydney so that we can get a proper comparison from the increase of tonnage now handled by the Canadian National by that route.

A. That is the actual figure for the actual tonnage imported into Port aux Basques as shown by the customs returns.

Q. Has this item in the figures on page 21 where it says "Bulk Cargoes" -- has that anything to do with that figure of 65,000? Is that 65,000 figure less bulk cargo?

A. The 65,000 is general merchandise as distinct from bulk cargo.

Q. Pardon?

A. As distinct from bulk cargo. In other words, there was no bulk cargo as such imported into Port aux Basques.

Q. That would be going mainly to St. John's; is that correct?

A. Yes, and other ports in the country.

Q. As indicated on the next page'

A. That is correct.

Q. Now, on that same page, at the top of page 21, you refer to the difficulties in winter months and to the possible paralyzing of traffic and suggest an alternative arrangement be made to circumvent this -- that is the last few lines of the first paragraph of page 21. Now, just what alternative arrangement do you suggest?

A. The opening up of Bay d'Espoir as a port.

THE CHAIRMAN: Pardon?

THE WITNESS: The opening of Bay d'Espoir. We think it would eliminate the difficulties to the railway.

THE CHAIRMAN: If I understand this correctly, is not Sydney the port which is hampered by the ice blockade?

MR. COVERT: Yes, Mr. Chairman, Sydney.

THE CHAIRMAN: And does it not say that the practice is to circumvent this condition by using the port of Louisburg?

MR. COVERT: I think, Mr. Chairman, that they also say that Port aux Basques is sometimes inaccessible in the winter.

THE WITNESS: Port aux Basques is not inaccessible except very infrequently during the winter, but North Sydney is subject to serious ice blockade.

MR. COVERT: Q. Your alternative arrangement that you refer to on page 21, that has to do with something alternative to North Sydney rather than alternative to Port aux Basques?

A. Yes.

THE CHAIRMAN: But as an alternative to North Sydney you would have Louisburg. How can any change made here in Newfoundland help out the situation in North Sydney, that is what I want to know.

MR. COVERT: I understand that Bay d'Espoir is being suggested as an alternative to Port aux Basques.

THE CHAIRMAN: That is at this end, I understand that.

MR. COVERT: And I take it you are not suggesting an alternative to Port aux Basques because the area itself is inaccessible?

THE WITNESS: Except we do say that facilities at Port aux Basques are very limited. If I could refer to the map maybe --

MR. COVERT: Q. Just a minute, Mr. McNamara; if you refer to the map, so that the record would be clear, we would have to put the map in as an exhibit. Would it show on the map that is attached to the brief?

A. Yes, this is a map showing Bay d'Espoir at the head of Hermitage Bay, and the suggestion is that if a line of railway from Bay d'Espoir to the main line -- the trunk line, were constructed, it would eliminate the

difficulties the railway finds itself in in the Topsails area, where they meet very serious conditions at times of blockade due to excessive drifts.

THE CHAIRMAN: What area is that? Is that the North Sydney area?

MR. COVERT: No, Mr. Chairman, the Topsails have nothing to do with the Sydney area; you will notice it on the map near the middle of the island.

COMMISSIONER INNIS: Q. This proposed line from Bay D'Espoir, where would it join the main line?

A. That would be a matter for investigation.

Q. You have nothing to suggest?

A. We had in mind that it would run from the head of this bay, Bay D'Espoir, to the main line around Bishop Falls or Grand Falls.

Q. Around Grand Falls?

A. Yes.

MR. COVERT: Q. That would avoid the Topsails area, which is so difficult during the winter?

A. The port of Port aux Basques would serve in the winter the area from Port aux Basques up to the Topsails, and the trains would not go over the Topsails. This would eliminate the terrible expense of the haul over the Topsails.

COMMISSIONER INNIS: Q. That would be independent of the North Sydney area?

A. Yes.

MR. COVERT: I gather, Mr. Chairman, that when shipments come to Port aux Basques in the winter time when the Topsails area is often blocked, the suggestion

is that a railway be constructed from Bay d'Espoir to some point east of the Topsails area.

THE WITNESS: All the year round.

MR. COVERT: Q. Port aux Basques would no longer be the junction or the terminal point from North Sydney?

A. Yes, Port aux Basques would still be used as it is used today, perhaps to a greater extent.

Q. Then Port aux Basques would be used to cover another territory, and you are dealing with this particular territory when you refer to transportation into Port aux Basques?

A. Yes, but we are anticipating a substantial increase in imports from the mainland, the Canadian mainland.

Q. Then Port aux Basques would be used for the territory up to the Topsails region?

A. Yes.

Q. And whatever troubles exist at North Sydney would still be there?

A. Yes. The alternative to Sydney would be Halifax and Saint John. I mean North Sydney. North Sydney is completely frozen over to a depth of 40 feet in winter time, for a period of at least two months, and as an alternative to North Sydney, Halifax and Saint John would be used and not Louisburg because there are no facilities, no CNR facilities there.

Q. Now, Louisburg is not frozen over in the winter?

A. Louisburg is free, except for drift ice.

Q. What are the other difficulties at Louisburg?

A. The difficulty is that the Louisburg railway, the railway from Sydney to Louisburg is not part of the CNR, and it makes a difference in rates, it makes a difference in the rate, and it does not provide facilities adequate for handling of freight and passengers.

COMMISSIONER INNIS: Q. There is a higher rate in winter because of the necessity of using Louisburg?

A. An extra toll is charged from Louisburg to Sydney -- from Sydney to Louisburg when shipments are made on the Louisburg railway.

Q. How much is that?

A. I could not say that from memory.

MR. COVERT: Q. How far is it?

A. I should say about 50 miles.

Q. That extra railway line is how long?

A. I do not know exactly -- perhaps thirty to forty miles.

Q. If you do not know the answer to this question, just say so. Do you know whether or not the rate over the Sydney Louisburg line is rated as a combination rate or whether it is a joint through rate?

A. Well, our reference only dealt with the rate prior to April 1st. Prior to that date the Newfoundland Railway, prior to confederation, did charge an extra amount over and above the agreed rate of freight to cover that haul of freight from Sydney to Louisburg.

Q. Do you know what the present situation is?

A. I do not know the present situation.

Q. Do you know whether the matter has been discussed

with the CNR as to what would take place during the winter?

A. I have an idea that the intention is to continue that charge.

Q. To continue that charge?

A. Yes, or a similar charge.

MR. COVERT: Now, Mr. Chairman, on this point, I do not want to touch on the negotiations that took place at the time of confederation, but when the Act, both the Terms of Union Act and the Statutory Amendment Act, both specifically mention Port aux Basques and North Sydney, it seems to me that it might throw some light on the situation if some one could tell us whether or not these points were discussed. For example, I would have thought, as has been stated here, that the fact that North Sydney was frozen over in the winter and that they did have to use Louisburg would have been brought up. I want to find out, if I can, if there was anything said --

THE CHAIRMAN: I think that it would be very useful evidence.

MR. COVERT: -- and I would like to know if there would be someone who could tell us if any discussions about the port of Louisburg were held at the time the Terms of Union were drawn up -- I do not know if the Prime Minister would be prepared to make a statement in that connection.

THE CHAIRMAN: Perhaps Mr. Lewis could deal later on with that point. He might like time to think it over.

MR. LEWIS: I would like to be instructed before making any statement.

MR. COVERT: In any event, my understanding from the second paragraph on page 21 is that you say that if Louisburg is used, any increase in the rate, that is the increase in the rate charged by the Sydney-Louisburg railway, should not be passed on to the receiver or shipper in Newfoundland. That is the position that the Government of Newfoundland takes, is that correct?

A. The position of the Government of Newfoundland is that the freight moving within the maritimes is subject to the Maritimes Freight Rates Act and therefore that Act should apply, and those rates should apply.

Q. Perhaps I have not made myself clear. Would you just read the last three lines of the second paragraph on page 21? Is it the contention of the government that if merchandise is moved over the Sydney-Louisburg railway to the port of Louisburg and the port of Louisburg was used as a means of transportation during the winter months resulting in increased cost for transportation, this increased cost would not, in view of the Terms of Union, be passed on to the receiver or shipper in Newfoundland. In other words, do I understand that the position of the Newfoundland government is that the rate through Louisburg should be exactly the same as the rate through North Sydney and Port aux Basques?

A. That is my understanding.

Q. And presumably the CNR would have to pay the Sydney-Louisburg railway its share of any through rate? Would you suggest that that should be borne by the CNR?

A. I have no suggestion to make.

MR. LEWIS: If I might implement that, my lord, and explain the position to Mr. Covert. The contention is that freight moving through Sydney and Port aux Basques into Newfoundland, under the Terms of Union comes in under a through rate, and it is for the CNR to provide facilities to move that under a through bill of lading. Whether it comes through Sydney, Louisburg, Halifax or St. John, Newfoundland is entitled to that rate under paragraph 32 of the Terms of Union. It is no concern to us whether the Dominion Government pays it directly, or whether the CNR pays it, it makes no difference at all to us.

MR. COVERT: Mr. Chairman, it seems to me under the Terms of Union Act that the statute is so clear that it simply applies to North Sydney and Port aux Basques. I would have thought that the statute would have provided as an alternative to Sydney, Louisburg, and I would like a clear statement of the views of the Province of Newfoundland because it seems to me that the government is really recommending that the statute be amended, because it would seem that in the case of the statute, the alternative was not provided for.

THE CHAIRMAN: You have been looking into the Statute and the Terms of Confederation lately? I have not had an opportunity to do so yet, but I can see that it is an important question that is being raised here, and we do not know what it may lead to.

MR. COVERT: If the statute is not clear on the point, and that is the position the government takes, it should be made clear what they are recommending.

THE CHAIRMAN: We should know the basis of what they are recommending and then find out whether it affects the terms and whether or not they should be changed.

MR. COVERT: The Prime Minister will make a statement at this time.

HON. MR. SMALLWOOD: Mr. Chairman and Members of the Commission, I recall very clearly what was said in the negotiations at Ottawa last fall. We had three members of the delegation who were particularly experienced in the general trade and shipping of Newfoundland: Mr. Philip Gruchy, the General Manager of the Anglo-Newfoundland Development Company at Grand Falls, whose company engages very heavily in shipping, and who was himself a member of what would be called our Shipping Board or Transportation Board throughout the period of the war, and who took a very keen interest in this whole question. We had Mr. Chesley Crosbie, one of the biggest merchants in Newfoundland in shipping and who is very familiar with the general trade and shipping of Newfoundland, and we had Mr. Gordon Winter of the firm of T. & M. Winter, General Merchants, and very large importers and who are especially large users of Port aux Basques-North Sydney route. And all three of them took a very intense interest in this whole problem of freight between North Sydney and Port aux Basques.

They were insistent that under confederation the increased traffic between, what was then, Canada and Newfoundland, would be vastly increased in all probability, but that it could not be handled physically at Port aux Basques-North Sydney. There was some discussion of the fact that North Sydney was blockaded by ice sometimes during the winter and of the Louisburg port being used as

the alternate, and I recall that it was pointed out that the Maritime Freight Rates Act applied to that railway. I do recall that it was not merely C.N. or C.P.; it applied to all railways in the region.

In replying to these points, we were told very categorically -- I do not know if it would be proper for me to say who said it -- but Mr. C. D. Howe said:

> "You do not need to worry if Port aux Basques, North Sydney or Louisburg or anywhere else have not got the facilities to handle the increased freight. We will put them there. I never yet heard of a railway who turned down business. If the facilities are not there to handle the freight, we will put them there. We are not going to be in a position not to be able to handle the freight that offers."

I am very clear on that.

THE CHAIRMAN: Mr. Howe is Minister of Transport?

HON. MR. SMALLWOOD: He is now Minister of Trade and Commerce. He was a very prominent spokesman for the Government. Indeed, he attended the plenary sessions more than Mr. Chevrier. Mr. Howe was a frequent and powerful spokesman for the Government as a whole. He definitely reassured us on that. He said if necessary they would blast their way through Port aux Basques or out of North Sydney. They were not going to let physical obstacles stand in their way. We were clearly reassured on it.

THE CHAIRMAN: If the case requires expansion, there is no reason why it should not be expanded here, so

long as it remains within our Terms of Reference. We thank you very much.

MR. COVERT: Q. Page 22:

"It is indisputable that facilities do not exist either at North Sydney or Port aux Basques capable of handling this volume of traffic."

My understanding is -- it is somewhere in one of the briefs to be submitted -- that there have been substantial improvements made or under way at North Sydney. Do you know anything about that?

A. Nothing, except what I gathered from the press.

THE CHAIRMAN: You say there are works going on at North Sydney?

MR. COVERT: I think the figure given was $2,900,000; that was the amount mentioned as being the amount which was going to be expended to improve the facilities for this route. I was wondering if Mr. McNamara knew anything about it.

THE WITNESS: I saw the newspaper account.

MR. COVERT: Q. Was that the figure you saw?

A. I did not pay too much attention to it.

Q. Do you know whether any plans were made to increase the facilities at Port aux Basques?

A. No, I have no information on that.

Q. I presume it would take some time to increase the facilities. Is that correct?

A. At Port aux Basques? We feel that it is almost physically impossible to handle greatly increased volume of traffic across the gulf.

Q. Are they having difficulty in handling the increase of one-third?

A. I do not know from my own knowledge. I would not care to express an opinion on that.

Q. Perhaps the government will have someone who can tell us or perhaps we can find out from the railway?

A. The railway could give the information on that.

Q. They have increased the service through Port aux Basques and North Sydney?

A. This year, speaking as an ordinary passenger on the railway, they had a condition on the railway where passenger traffic was limited. At Stephenville, near Harmon Field, passengers could not buy tickets at Stephenville Station. They had to go over the road a distance of thirty miles to Corner Brook before they could get on the express train going east. I think that during the summer season sleeping accommodation is booked two to three months in advance. As to the freight, I think the railway will tell you that it is only with difficulty that they can handle the increased tonnage.

Q. You are talking about the railway generally. I am speaking about the port of Port aux Basques -- the route between North Sydney and Port aux Basques -- whether they had increased the service. What I mean is: Are there more trips being made by the vessels?

A. I believe they have put on an extra steamer. I think they run additions to their schedules across country.

Q. I suppose that would relieve the facilities there?

A. It would help.

Q. Next paragraph, page 22: "Prospects for the future of the railway." You state there that under the Terms of Union there is only one recognized trade route enjoying the "all rail" privilege. Then you go on and suggest that any departure from this principle resulting in a freight structure for Newfoundland traffic at a higher ratio than that obtaining in the maritime provinces is a violation of the spirit and the terms of the Act of Union. There again, Mr. Chairman, my difficulty is that the Act itself seems to refer only to the one route and that is North Sydney-Port aux Basques, and as far as the letter of the law is concerned it seems to me that the whole thing is tied to that one route. And when they refer to the "spirit of the Terms of Union" -- I am trying to find out if there is something different in "the spirit" and "the letter.

THE CHAIRMAN: It ought to be expanded to meet the spirit.

MR. COVERT: If there is a difference between the spirit and the letter, I would like to know whether the government is recommending that this Commission recommend to the government that the letter be changed.

THE CHAIRMAN: Does it mean revivify the spirit?

MR. COVERT: It is rather a difficult question. I think we should have the official attitude of the government as to whether or not they are asking this Commission to recommend a change in the statute if it is necessary to carry out what they regard the spirit of the Terms of Union. Perhaps you are not in a position to answer that?

THE WITNESS: No.

MR. COVERT: Q. On that point, we might ask Mr. Lewis to advise the Commission when he receives instructions.

You refer to certain agreements:

"In this connection it is understood that agreements have been negotiated with independent carriers for the lifting of a portion of this traffic through ports other than North Sydney. The terms of these agreements should be disclosed to this Commission with a view to its ascertaining the relative comparison between the rates so charged and the all-rail route rate obtaining through North Sydney and Port aux Basques."

The agreements to which you refer, are these agreements made between the railway and the steamship companies?

A. Private agreements between the railway and the steamship companies.

Q. My problem is, to what agreements do you refer?

THE CHAIRMAN: Do I understand that he means concluded agreements between the Canadian National Railways and certain steamship lines?

MR. DYSART: I might say for the information of the Commission that I understand that agreements of the type mentioned were concluded last June by the CPR and a series of steamship companies whose names I am about to give the Commission. They consist of Blue Peter Steamship Limited, Clarke Steamship Company, Newfoundland-Canada Steamship Company, Furness Withy Company. They entered into agreements covering the movements of freight

to and from Corner Brook and St. John's, Nfld, by water and rail through the ports of Montreal and Saint John, N.B. Similarly in August of this year, the Canadian National, in order to meet the competitive situation which had been created by the agreements, entered into similar agreements covering the movement of freight by rail and water through the ports of Montreal and Halifax to and from the ports of Corner Brook and St. John's, Nfld.

The effect of these agreements is to make possible rail and water movements to and from Corner Brook and St. John's, Newfoundland, via Halifax, at rates equal to the all-rail rate via North Sydney and Port-aux Basques. These rates are, however, exclusive of wharfage at Corner Brook and St. John's and heavy lift charges at all ports; while the all-rail rate includes heavy lift charges and of course there are no wharfage charges in connection with rail movement. These agreements cover water and rail movements only. And they are to the extent I have indicated competitive with the all rail route with North Sydney and Port aux Basques. I understand that the all-water rates from Montreal, Saint John and Halifax to Corner Brook and St. John's are on a lower basis than either the all-rail or the rail and water rates, which I have just explained.

Unfortunately I have not in my possession copies of the agreement which the Canadian National concluded with the steamship companies. If it would be of assistance we could obtain them and file them in due course and we could provide my learned friend with sufficient copies.

MR. COVERT:Q.I take it that the agreements to which you refer in the brief are the ones which Mr. Dysart has outlined?

A. Yes.

Q. Mr. Dysart has undertaken to file copies of these with the Commission and that is really what you have asked for in your brief?

A. That is so.

THE CHAIRMAN: Mr. Dysart is referring to agreements made by the Canadian National; and what he said indicates that the first series of agreements was concluded by the C.P.R. and the conclusion of those contracts brought about a situation which the C.N.R. felt compelled to meet and so concluded similar arrangements so as to be on a basis of equality. In both cases the agreements are concluded? The negotiations are over?

MR. DYSART: As the Commission is probably aware, rates cannot be concluded by agreement; they must be filed with the Board of Transport Commissioners and the rate arrangements covered by the C.N.R. with the steamship companies are to be found in the C.N.R. Tariff C89. C.D.C. 3967 which became effective on August 20, 1949. Through the courtesy of Mr. Izzard of the C.P.R. we have the comparative tariff T.C.C.E. 1700 and C.T.C.E. 5122. The C.P.R. rates became effective June 1st, 1949, while as I previously indicated, the C.N.R. took effect on August 20, 1949.

THE CHAIRMAN: In the case of the Canadian National, where do the steamship lines run from?

MR. DYSART: From the ports of Montreal and Halifax.

THE CHAIRMAN: Are your agreements made with different companies?

MR. DYSART: They are made with the same companies as the Canadian Pacific.

MR. COVERT: I suppose the agreements would be similar?

MR. DYSART: Having prepared the one for the Canadian National, I confess I used the C.P.R. one as a model.

MR. LEWIS: The C.P.R. operates out of Saint John.

MR. DYSART: It relates to Halifax and Montreal.

MR. LEWIS: If I might be permitted to interject here, on this concluding sentence of this paragraph the whole point here is as to competitive rates prevailing. My learned friend Mr. Dysart has explained to your lordship that the agreements entered into between the conference lines and the steamboat companies and the railway is on a competitive rate with the all-rail rate prevailing through North Sydney and Port aux Basques. But the province's position is this: The all-rail rate that should prevail through North Sydney and Port aux Basques under the Terms of Union must be consonant with the rates obtaining in the maritimes and that at the present moment there is a difference between the all-rail rate structure effective in relation to traffic moving through North Sydney-Port aux Basques in so far as Newfoundland movements are concerned -- that is, movements destined to Newfoundland points and traffic destined to points in the maritimes. The differential applying over North Sydney is out of proportion.

That fact has permitted a competitive agreement to be negotiated by the steamboat companies and the railway companies at a level higher than is justified under the Terms of Union. That is the point that is referred to here when we ask for disclosure of these agreements. We contend that these agreements in so far as they establish a freight rate structure between the steamboat companies and the railway is on a level higher than the Act of Union permits in regard to the all-rail route through North Sydney. That is why these agreements are of importance and the freight rate structure effective therein is of vital importance to the province.

MR. COVERT: I think that puts the position quite clearly. One thing I noticed: the brief asks only to see the agreements so that they can compare the rates and it seems the rates are filed in the tariffs cited by Mr. Dysart. So it might be that since he has undertaken to file the C.N. agreements based on the C.P.R. agreement, the filing of one of those with the rates filed, would be sufficient.

MR. LEWIS: That is quite all right since they are both negotiated on the same basis.

MR. COVERT: When it is filed we will give it an exhibit number.

MR. DYSART: I will undertake to do this, and if I might supplement what I have said on this subject, the rates to be found in the tariffs established as a result of the agreements include marine insurance which in effect makes the movements subject to the bill of

lading with the exception of war risk as if they were all-rail movements between origin point anddestination. I thought it might be of interest to say that.

THE CHAIRMAN: You will see to it that proper and sufficient material is filed on these Canadian Pacific and Canadian National contracts?

MR. COVERT: Mr. Izzard of the Canadian Pacific is here; I might ask him at this time if he would be good enough to see that the Canadian Pacific would file a copy of any other agreements.

MR. IZZARD: We will file our agreements and our tariff.

MR. LEWIS: At what time? Can he produce it now?

MR. COVERT: I do not know.

MR. LEWIS: The Canadian Pacific agreement was asked for in Halifax about two months ago when I was there, and it was deferred at that time and I think it should be produced now.

MR. DYSART: Unfortunately I did not have the privilege of appearing at these sessions. I cannot speak for the Canadian Pacific but I assure the Commission that copies will be filed with my learned friend at the earliest possible moment. If I can get them up here today, he will have them.

MR. COVERT: I think Mr. Frawley did want them filed. He wanted to see what the share of the steamship rate is. I think Mr. Lewis is correct.

MR. LEWIS: Can we have the Canadian Pacific agreement?

MR. COVERT: At that time, Mr. Chairman, you will remember that the matter was pending.

MR. LEWIS: Not the Canadian Pacific. The Canadian Pacific was concluded and the Canadian National was pending.

MR. COVERT: They are not available now.

MR. LEWIS: The Canadian Pacific is not available.

MR. COVERT: No.

Q. Mr. McNamara --

MR. LEWIS: I wonder if we could be a little more definite about the production of these agreements.

THE CHAIRMAN: I beg your pardon; what is that?

MR. LEWIS: My lord, with reference to these agreements to which reference has been made, I would very much like to see a copy of them, and while an undertaking has been given for their production I would like that limited in time to some extent so that we will know definitely when we can get them, either one or both.

THE CHAIRMAN: A limitation of time.

MR. LEWIS: Yes.

MR. DYSART: Mr. Chairman, I now find out from my traffic adviser that in the hotel he has amongst his papers one copy of one of the agreements which is practically on the same basis with other companies and we will make that available to Mr. Lewis.

THE CHAIRMAN: That is the Canadian National?

MR. DYSART: Yes. Being based on the Canadian Pacific draft there are very few amendments, and any changes, such as there are, I suggest are improvements.

THE CHAIRMAN: The difference between the two sets of agreements would have regard to the rates?

MR. DYSART: No, Mr. Chairman, there is no mention of any specific rate in the agreements or any division of through rate. It is just the terms and conditions covering the turning over of freight to the steamship companies by the railway and the transshipment by water to the port for furtherance. But the rates are the same for movements in the same direction with the obligations and liabilities attached, and the question of marine risk, and things of that kind. There is no specific rate in the contract that would give my learned friend any assistance. The rate that covers the movement is in the tariff, and what the division is between the steamship company and the railway company is a matter of separate agreements.

MR. LEWIS: In other words, there is no way of arriving at how freight is divided between a steamship company and the railway?

MR. DYSART: Not from these.

THE CHAIRMAN: The net results are there. We can ascertain the rate.

MR. DYSART: The rate that you will find, is the same as the all-rail rate between North Sydney and Port aux Basques.

MR. LEWIS: As at present constituted?

MR. DYSART: Yes, because the Canadian Pacific, not having a rail system from St. John's through to North Sydney found itself in a position where it had to find some intermediate carrier to make some arrangements to

compete with the Canadian National, and because of that situation had to make similar agreements in order to meet competition. I do not suppose there was ever any intention on the part of the Canadian Pacific to lower the rate below the limits which they were to meet, nor on the part of the Canadian National to reduce the water and rail rate, because if it had done so it would depress the North Sydney rate and all rates based on that combination.

THE CHAIRMAN: There is no rate war on.

MR. DYSART: There was never a rate war between the Canadian Pacific and the Canadian National, Mr. Chairman, but at the same time where one railway has a slight advantage it is up to the other railway to determine whether or not by means of rates it can adjust its position to a proper competitive basis.

MR. LEWIS: Just one second, my lord, to make our position clear. We are not interested in the competitive position between the Canadian National and the Canadian Pacific so far as lifting of the freights is concerned, but what we are interested in is the basic freight rate structure. We contend that the present through rate structure through Port aux Basques is higher than it should be under the Terms of Union and when that is reduced back to the maritime ratio then the steamship companies and the railway companies will have to reduce accordingly if they want to make those water movements. That is our position.

MR. COVERT: Q. Mr. McNamara, at the bottom of page

22, the last paragraph there, you are suggesting that feeder roads be constructed from strategic points along the coastline to the nearest railhead. Now are you suggesting that these roads should be built by the railway?

A. We viewed it from the angle of coastal transportation. At the present time, while the coastal boats are doing a particularly fine job, the operation of these boats could be carried on more effectively amd more economically if, in conjunction with them, feeder roads were used from the coastal fringe to the railway itself,-- from the railway itself to the strategic points in the bays and inlets of the country -- of the Island.

Q. What I am trying to find out is, who are you recommending should build or construct these feeder roads?

A. Well, Mr. Lewis, I believe, wrote that paragraph. Perhaps he would like to answer that.

THE CHAIRMAN: Mr. Covert has in mind the responsibility of the province, the fact that when these roads are built they would not only be used to transport railway traffic but all traffic and prima facie it is a provincial responsibility. Bearing that in mind, is there anything to be said about it?

MR. LEWIS: We do not suggest that it would be a federal responsibility.

MR. COVERT: You are not suggesting that it would be a federal responsibility?

THE WITNESS: No.

MR. COVERT: Q. At the very top of page 23 you say:

"Further at the junction points of the road with the railway line, adequate accommodation suitable to the needs of the travelling public should be made available."

And again I want to point out, Mr. Chairman, whether it was to be suggested that the responsibility is federal.

A. That is a railway responsibility.

Q. And what you are saying is that when the feeder roads are built, for example if they are built by the province and joined with the railway, you say that at these junction points the railway should establish suitable accommodation for the public?

A. Quite definitely.

Q. Now on the same page 23 you deal with Modernization of the System and you refer to the dissimilarity between the railway in Newfoundland and the standard railroads on the mainland. I presume you are referring to the fact that it is not what is known as standard gauge?

A. Yes, that it is not standard gauge.

Q. What is it -- three and six as against four and eight?

A. Yes, it is three feet six.

Q. And when you say in the following paragraph that it should be brought into conformity with the great continental railway system, I presume you mean the C.N.R., that you are saying that the narrow gauge railway in Newfoundland should be made a standard gauge railway. Is that so?

A. We make two recommendations on that. We say that --

THE CHAIRMAN: Q. You say you make two recommendations?

A. There are two -- there is one numbered --

MR. COVERT: Q. I was going to come to that. It is in the recommendations on page 49, Mr. Chairman -- I think numbers 6 and 7.

A. Six and seven, that is right.

Q. What you say is that consideration be given to the modernization of the railway system with a view to bringing it into conformity with the standard system, and then, alternatively you say if that is found impracticable then that there should be an improvement of the existing railway by the reduction of gradients and the limitation of curves?

THE CHAIRMAN: That is, one dependent on the other.

MR. COVERT: Q. That is what I ask, Mr. Chairman, first, if these two paragraphs under the heading "Modernization of the system" on page 23, if what is referred to there was making the narrow gauge railway a standard gauge railway. That seemed to me to be the first step. Is that what you had in mind?

A. That is what we had in mind.

Q. And then you say if that is not feasible or practicable then the present narrow gauge railway should be improved by the removal of curves and gradients?

A. That is quite correct.

THE CHAIRMAN: A change in the gauge of the railway, would that mean a new line all through?

MR. COVERT: I believe so.

THE CHAIRMAN:Q.You take it for granted in that case the grade and curves would disappear by themselves?

A. Yes.

Q. Then you say that if the gauge is not retained the difficulties of grading and curves which now exist would be eliminated?

A. That is right, my lord.

MR. COVERT: Q. I believe it has been suggested, Mr. McNamara, that the narrow gauge railway is especially adapted to the topographical features of Newfoundland. Do you know anything about that?

A. Well, an opinion has been given to that effect but if the C.N.R. insisted that we have a standard gauge railway I do not think we should object.

Q. The objection to the narrow gauge railway, I take it, is not extremely great as long as it serves the traffic satisfactorily, and perhaps it can be made to do that. Is that the position the government takes, do you know?

A. Well, under the terms of Union we looked forward to having a freight carrier service on the Gulf, and whilst bringing into effect a standard gauge railway across Newfoundland involves heavy expenditure, you will have that same expenditure in handling charges on the Gulf for many years to come, so long as there is a narrow gauge railroad in this country. You will have tremendous handling charges which is estimated at $5 a ton across the Gulf for every ton of cargo entering the country.

THE CHAIRMAN: Handling charges are less on the

standard gauge train compared with the narrow gauge rail?

MR. COVERT: What you mean by that is because of the connections between the two. For example, if eventually they have railway carriers, a car ferry.

THE CHAIRMAN: Yes, in the case of a ferry.

MR. COVERT: When you would have the standard gauge at one end and the narrow gauge at the other; and that is where the handling charges increase the freight costs.

THE CHAIRMAN: As far as that is concerned it would be a distinct problem.

THE WITNESS: There would be no handling charges whatever if there were a broad gauge railway in the Island.

MR. COVERT: As it is, you see, Mr. Chairman, it must be unloaded from the cars and reloaded onto the boats.

THE CHAIRMAN: Reloaded?

MR. COVERT: Yes.

Q. I presume this matter would be taken up with the railway and it would be ascertained whether over a long run it was feasible?

A. That is the intention.

Q. And I suppose it would be a tremendous expense to change a narrow gauge railway of 700 odd miles to a standard gauge, and would take considerable time?

COMMISSIONER INNIS: Q. There is nothing to suggest that you have any views as to the advisability of the railway operating motor trucks?

A. No: Mr. Commissioner, there is nothing on this

matter. It would require roads first.

THE CHAIRMAN: Q. You did make a reference to the desirability of providing facilities for motor trucks?

A. Yes, my lord.

Q. The roads which you want built should be so constructed and maintained as to be able to handle motor truck carriers?

A. That is right, my lord.

COMMISSIONER INNIS: Q. My point is, you have no views as to the traffic arrangements which the railway should have if possible with possible truck lines, and whether it will encourage the railway to acquire motor lines.

A. We have no policy on that.

MR. COVERT: Q. You see there have been suggestions in some briefs that the railway should not be permitted to go into the trucking business except as ancillary to the main railway business. Others have suggested that they should be free to go into it. What we have to find out is whether the government has any policy with respect to that.

A. I am quite sure that we did not have this in mind.

MR. COVERT: As a matter of fact, Dr. Innis, I have that matter to bring up. Now it would seem to me that as long as the province's contention is that freight rates should be based on the same level as they are in the maritimes, that if that position obtained, then it would not matter whether the railway was a narrow gauge or standard gauge from the point of view of rates, because the matter of costs would not enter into it.

THE CHAIRMAN: Except on the matter of handling charges.

MR. COVERT: But to the Newfoundland shipper or consumer, Mr. Chairman, if the rates were fixed at a level, that did not matter from the point of view of costs of transshipment, because it is all rail route just as if there were no handling. It would seem to me that whether or not it was a standard gauge or narrow would not change a rate. So that if a narrow gauge would serve the traffic adequately, it would seem to me that it would not matter to the province from the point of view of rates as long as the level of rates was the same.

THE WITNESS: No, I do not think so except in time we do look forward to a standard gauge railroad in this country.

The present railway, when it is brought up to date will serve this country for some time to come.

Q. Now, Mr. McNamara, on pages 23 and 24 of the brief you give a table showing highways presently constructed and sections surveyed but not yet built. There are recommendations later in the brief dealing with specific road construction, and I was wondering if these are included in this list of roads surveyed but not yet built?

A. I think the actual feeder roads appear -- that specific suggestions as to the feeder roads appear on pages 39 and 40.

Q. If these same feeder roads -- are these same feeder roads included in this list of trans-island roads --

for instance, take the Springdale-Halls Bay-Badger road --

A. Could that be left --

MR. LEWIS: We have a special witness on that -- Mr. French, and he will be here in a moment.

MR. COVERT: Q. Now, on page 26 of the brief at the very last line you give the number of cars and trucks registered in 1948 in Newfoundland. Could you advise what the situation is with respect to trucks in Newfoundland? Could you say whether or not it provides any serious competition to the railways?

A. I should think that trucks operating around Conception Bay certainly, definitely would be competitors to the railway.

Q. Now, is trucking regulated in this province by the government? Do they have to get a licence and show necessity and convenience?

A. No, sir. They have to get a licence for their equipment but they have no tariffs.

Q. But can anyone get a trucking licence without showing that it is necessary or convenient for the job, or does he just buy the truck, and automatically can he get a licence to operate?

A. Yes, he can get the licence to operate the truck at will.

Q. There are no regulations as to necessity or convenience or as to rates charged?

A. No, but there is going to be, I am informed.

MR. COVERT: Well then, Mr. Chairman, it might as well go into the record here -- perhaps Mr. Lewis

might have it answered later -- what the government's official position would be as to regulation of trucking rates either by a central body or by uniform legislation in the province.

THE CHAIRMAN: In so far as the government is prepared to formulate any policy?

MR. COVERT: Yes, it would not be --

THE CHAIRMAN: You mean in the new province?

MR. COVERT: Yes. I might clarify the matter. Some of the provinces have indicated their position on this matter, that is as to whether or not trucking should be entirely regulated in the province or whether or not they would be prepared to surrender control over trucking to a central body in the interest of uniform legislation. That is as far as rates are concerned.

MR. LEWIS: Would that be federal or provincial?

THE CHAIRMAN: I think it is generally conceded that trucking regulations within the province are entirely in the hands of the provincial government under the British North America Act as it stands today.

MR. COVERT: There has been a suggestion that trucking should be regulated by a central body.

MR. LEWIS: In this province?

MR. COVERT: This would be a federal body, and there have been suggestions that each province should adopt uniform legislation. There have been several suggestions made in briefs presented to the Commission and I think it would be helpful if we had the government's policy -- the policy of the government of the province of Newfoundland.

Mr. Covert:

Q. At the top of page 28 reference is made to the Trans-Canada highway and it states that this matter is under consideration with the federal government, and the province feels that it is precluded from commenting upon the matter. Now, my only remark is that that has not precluded other provinces, Mr. Chairman, and I think I should tell that to the government. I do not propose to ask any questions.

MR. LEWIS: We have the roads engineer here now to deal with road matters if you would care to put him on.

MR. COVERT: Mr. McNamara, if you would stand down now, I understand that the roads engineer is here now to deal with those questions relating to highways.

REGINALD M. FRENCH, called

MR. LEWIS: Q. What is your name?

A. Reginald M. French.

Q. And your position, Mr. French?

A. I am Roads Engineer, Department of Public Works.

THE CHAIRMAN: Q. What is your position, Mr. French?

A. Roads Engineer.

Q. That is in the province of Newfoundland?

A. Right.

EXAMINED BY MR. COVERT:

MR. COVERT: Q. Now, Mr. French, on pages 39 and 40 of the brief, it lists four specific feeder roads. First, would you indicate perhaps on the map that is on the wall -- no, we would have to put a copy of it in as an exhibit -- could you show it on the map that is attached to the brief?

MR. LEWIS: If he could show it on the map on the wall it would be clearer to the Commission. It is the same map except that the one on the wall is larger.

MR. COVERT: Q. Could you show us, Mr. French, where those feeder roads referred to are located?

A. The first one is Bonne Bay to Flowers Cove. That is here on the northwestern side of Newfoundland.

Q. Bonne Bay is a little more than half way down on the west coast?

A. Right.

Q. And Flowers Cove is up toward the southern part of the Straits of Belle Isle?

A. Yes, about 60 miles from the northermost tip of Newfoundland.

THE CHAIRMAN: Is it suggested that a road be built there?

MR. COVERT: That is what I understand from the brief.

THE WITNESS: Yes, there is no road there at all at the present time.

MR. COVERT: Q. There is no road from Bonne Bay to Flowers Cove?

A. No.

Q. And that is a distance of approximately how many miles -- the brief seems to divide it in the southern portion, for instance it states that the distance from Bonne Bay to Port Saunders is 50 miles and later on it says from Deer Lake to Flowers Cove is a distance of 150 miles.

A. It is 35 miles from Deer Lake to Bonne Bay and that would leave 115 miles from Bonne Bay to Flowers Cove.

THE CHAIRMAN: Is Deer Lake on the railway line?

MR. COVERT: Yes, about one inch along the railway line from Corner Brook on the map which you have, Mr. Chairman.

Q. Then the total distance from Bonne Bay to Flowers Cove would be about 115 miles, is that right?

A. Yes.

Q. There is reference to the Deer Lake highway. There is a highway there? It says that a road constructed from Flowers Cove to Bonne Bay would provide direct communication through Bonne Bay, over the Deer Lake highway to Deer Lake, that part is a highway?

A. Yes. The existing road runs from Deer Lake to the bottom of Bonne Bay on to this side and on to Flowers Cove here; the road would be constructed around the bottom of Bonne Bay and up the shore as far as Flowers Cover up here.

THE CHAIRMAN: Again, my understanding is that that would be a matter for the provincial government.

MR. COVERT: That is right, Mr. Lewis, is it not?

MR. LEWIS: That is our understanding; we made no recommendation on that.

THE CHAIRMAN: Would not this entire section dealing with feeder roads on pages 39 and 40 of the brief, have to do with the provincial government's obligations, rather than with anything that could be recommended to this Commission?

MR. COVERT: That is right, and I do not want to

take up the Commission's time, because we must be running short of time.

THE CHAIRMAN: As long as those facts are brought out that is as far as we can go now.

MR. COVERT: Q. Now, the road from Gambo to Carmanville; would you indicate that on the map?

A. Here is Carmanville at the bottom of Gander Bay.

Q. That is on the east coast of the island just to the north, about northeast of Gander, right on the coast?

A. Yes, and then you follow around the coastline right on here into Bonavista Bay and take the Gambo line up at the bottom of Freshwater Bay.

Q. The route suggested is from Carmanville following along the coastline right down to Gambo which is in that inlet on the northwest of Bonavista Bay. What is the distance -- the length of that road?

A. About 120 miles.

Q. That would connect with the railway at Gambo, is that right?

A. That is right.

MR. LEWIS: Q. There is part of the road there already.

A. It would come across inland where there is fairly good farming land and missing the more rugged coastline. There is a small section of road in the vicinity of Brookfield -- five miles -- which primarily serves the Cottage Hospital in that section.

Mr.Covert:

Q. Terrenceville and Goobies -- could you locate that?

A. Terrenceville is at the bottom of Fortune Bay.

Goobies is at the junction of the railway and the highroad.

Q. Starting at Terrenceville on the northwest side of Fortune Bay -- the very tip of Fortune Bay -- would you indicate where the road would be?

A. It follows across the peninsula into the bottom of Placentia Bay. There is a road there now.

Q. It is just a question of improving it?

A. That is right.

Q. Then the fourth one -- Springdale-Halls Bay-Badger?

A. Badger is about in the centre of Notre Dame Bay -- west of Grand Falls. There is a load to the bottom of Halls Bay, which is in the bottom of Notre Dame Bay.

Q. There is a road there now?

A. As far as Halls Bay; you follow round the Bay -- Springdale is ten miles down the coastline and the transinsular road from Halls Bay to Deer Lake is being constructed now. It circles around -- it does not go to Springdale straight -- there are five miles of road to connect Springdale with the transinsular highroad.

Q. Mr. French, are some of these lines that you have indicated -- these four lines you have just indicated -- are they included in the list on page 23 and page 24, in either the "lines already constructed" or "surveyed and not yet built", or in sections "not yet surveyed?"

A. They are not all in there. The first one is not in there. Flowers Cove to Bonne Bay.

Q. You say that is included?

A. That is not included.

Q. Gambo to Carmanville?

A. That is not included.

Q. Terrenceville to Goobies?

A. That is included.

Q. Could you indicate where it is?

A. It is under "Gravel roads 18' wide" -- the tenth row down the list.

Q. Junction Road to Terrenceville -- 10.8 miles?

A. It is not on that list.

Q. Springdale-Halls Bay-Badger on it?

A. On page 24 part of it is on that.

Q. You say Badger station to Halls Bay 32.5 miles improved road?

A. That is right.

Q. Do you know what the government's specific recommendations are with respect to these highways? The specific recommendations to this Commission?

A. The recommendation I take it is in No. 1 page 49.

Q. Page 49 reads:

"That road communication islandwise be developed with a view to the strengthening of the strategic advantages which Newfoundland offers to the mainland."

I thought that that referred to military roads. They specifically mention military

MR. LEWIS: That recommendation is not feeder roads.

MR. COVERT: That is what I thought.

"That road communication islandwise be developed with a view to the strengthening of the strategic advantages which Newfoundland offers to the mainland."

(Page 6327 follows)

There may be a suggestion, it seems to me, that either the federal government should undertake this or that the railway should undertake this -- that is, if it were something which is being presented to the Commission.

THE CHAIRMAN: Any kind of public works that have to be constructed to the advantage of Canada, that happens to be a federal responsibility, any work whether it be harbours, highways or anything else; and there are proper agencies in existence to decide when and where such work should be constructed.

MR. COVERT: That seems to cover the first two.

THE CHAIRMAN: It seems unnecessary to have these matters here.

MR. COVERT: Q. Now then, to get down to No. 11. That means feeder roads to the railway system?

MR. LEWIS: Yes, and for ordinary traffic.

THE CHAIRMAN: At first sight that would appear to come under the ordinary powers and duties of the province, to construct highways.

MR. COVERT: That is the point. It may be that Mr. Lewis would indicate where they would not be necessary for provincial purposes, either in whole or in part, but they might be so for federal purposes. Pending some explanation of that kind, it seems to me I should not proceed on that point.

THE CHAIRMAN: I think such a discussion will make the facts known. We are dealing with a new province, and the exercise of provincial powers, provincial duties, will be a matter demanding investigation.

MR. LEWIS: I would like to say that the recommendation made at this place and for this purpose, is directed to the general question of improvement of transportation within the island, with a view, first of all, to provide an additional source of revenue to the railway system, as such, and secondly towards the more expeditious movement of traffic from isolated portions of the island to the railway system as the main system of transportation.

We suggest that because of the sparsity of communication within the island that the whole thing is integrated; that is, feeder lines, coastal services and the railway system itself, and that by the construction of such feeder roads from the points indicated, we can accelerate the coastwise service which is part of the railway system, facilitate operation and reduce expenditure by eliminating ports of call which are exposed ports and approachable only under the most favourable conditions.

By the construction of such roads to intermediary ports where ships can load and discharge -- that is, coastal ships -- we can move those ships more expeditiously and less expensively to the system. The coastal system operates under rather serious deficits

and we think that by making these suggestions in relation to feeder roads, as well as anything else, it is all part of the general scheme of things and indicates the possible solution to what is more or less the transportation problem.

THE CHAIRMAN: Nothing has been said so far to affect the position of the dominion government in regard to the trans-Canada highway.

MR. LEWIS: We are fully conscious of the fact that local roads are matters of provincial responsibility. But because of the peculiar position obtaining in this country, we felt justified in putting this in our recommendations. As I say, it is a suggestion by which the railway transportation system could be improved and operated more economically and at the same time our people could be serviced more expeditiously. That is our justification.

THE CHAIRMAN: I think all this is very interesting. It might clarify it further if perhaps the Premier would say a word.

HON. MR. SMALLWOOD: As a matter of fact, Mr. Lewis has said all I intended to say. We would not want the Royal Commission to think we did not know that the building of roads of a local character, of a purely provincial character, was a responsibility of the province. But as we see it, this Royal Commission on Transportation came here to hear the description of the problems of transportation of the province. So we have done that without, in every case, suggesting that the solution ought to be provided by the dominion or

the province. On the other hand, the responsibility of the federal government has not proved, in the last eighty years, to be a static thing. It is dynamic. It grows. We do not know but, in stating our needs for provincial roads, we may indeed be laying the foundation for an entirely new concept in Canada for years to come.

This trans-Canada highway is a rather new thing in Canada. When the first delegation went from Newfoundland to Ottawa, we raised the question of roads, or of a road, across Newfoundland. We were told -- and that is only two and one-half years ago -- we were told that that is your own business. That is a provincial matter. If you want a road across Newfoundland, build it as other provinces have to do." Two and a half years later the government agreed to pay one-half the cost of building the road across the province of Newfoundland and to repay us half the cost that we have already incurred in building such roads as are constituted part of the trans-insular highway and therefore the trans-Canada highway.

If in two and one-half years the government of Canada was that much more civilized as to that, what may not happen in the next two and one-half years; or five or ten years in connection with roads which up to now are regarded as an entirely provincial matter?

THE CHAIRMAN: It happened by mutual consent

HON. MR. SMALLWOOD: Equally by mutual consent. Maybe, in time, the federal government, having assisted in the construction of the trans-Canada highway, may

agree to assist in its maintenance and from that it is not a very great step to assist us in the provision of roads linking up the trans-insular highway with the national railway system. It has never been our understanding that the Royal Commission on Transportation has to deal merely with railways or airways and roads of all kinds such as we have here in this brief --

THE CHAIRMAN: Of dominion concern?

HON. MR. SMALLWOOD: We have here in this brief the first description ever made of our needs in transportation and we have made it all-embracing.

THE CHAIRMAN: I think it is very helpful.

MR. COVERT: I wanted to have the matter clarified, because I might have to question along this line. If it was intended the railway should build the highways, they might be building something which would later be a source of great competition to them. Perhaps the railway can enlighten us on the subject, but I am not aware of road construction by the railway in any other province.

THE CHAIRMAN: So far as we know, the railway used the provincial highway for their trucking just as other people.

MR. COVERT: Then, I understand from you, Mr. Lewis, it is not suggested that the railway should build these highways? I think that those were the only questions that I had dealing with roads, Mr. Chairman. I thought perhaps while he is here other counsel might want to ask some questions.

MR. DYSART: I have no questions.

MR. COVERT: If I might have Mr. McNamara back -- thank you very much, Mr. French.

GEORGE C. McNAMARA, recalled

MR. COVERT: Q. Mr. McNamara, dealing with airways on page 28, I just want to ask you perhaps one question on that. I think your recommendations with respect to airways are covered in No. 12 on the last page of your brief, page 50, where you suggest that licensed operating companies be given set-down and pick-up rights in relation to airports at Torbay and Gander, and you deal with the question of subsidies for carrying mail.

A. That is so.

Q. That is the same, the substance of the provincial recommendation in this matter, but on page 28 in the paragraph before the last you say that "applications are pending before the Board of Air Transport for the granting of licences to operate such a system as is suggested in this part." Now could you give us some particulars of that. Is there a company already formed to deal with this matter?

A. Yes, Mr. Lewis.

Q. Might I ask, Mr. Lewis, if there is a witness?

MR. LEWIS: Yes, there is a witness here.

MR. COVERT: Is that one which has presented a brief?

MR. LEWIS: Yes, the Eastern Provincial Airways are represented here.

MR. COVERT: Well, I suggest that whole matter would be dealt with better when this brief comes up.

MR. LEWIS: The Premier is --

HON. MR. SMALLWOOD: I have just recently

returned from Ottawa, and I can say that the two points made here have been met, or at least two of the points for further operations. The Air Transport Board has agreed to give set-down and pick-up rights for local air lines at Torbay and Gander and in the second place the Post Office Department intends to do the thing suggested in the brief, namely to subsidize airways within the province.

MR. COVERT: Q. Now then, Mr. McNamara, would you turn to page 30 dealing with the question of coastwise transportation?

MR. LEWIS: Captain Dalton is here to deal with that.

MR. COVERT: Yes; well, Mr. McNamara, in the second paragraph on page 30, you say since 1920 the services have been maintained exclusively by the Newfoundland Railway. Now I think that refers to the services previously operated by the Newfoundland Railway.

THE CHAIRMAN: Where is that, Mr. Covert.

MR. COVERT: The second paragraph on page 30.

THE WITNESS: Yes, prior to that the railway was owned and operated by private contractors.

MR. COVERT: Q. In other words, in addition to taking over the railway proper, the Canadian National has also taken over the operations of the steamships previously operated by the railway company?

A. That is correct.

Q. At the top of page 32, in the first section, you say:

In conclusion, it is submitted that the subsidy being presently paid to the railway coastal steamers be revised upwards with a view to equalizing the service being performed with the amount to be paid and in this respect to relate such payment either to the amounts previously paid by the Newfoundland Government or to comparative payments being presently made by the federal government for similar services on the mainland."

MR. LEWIS: Captain Dalton and Mr. Simpson will be able to give information on that.

MR. COVERT: Perhaps, Mr. Lewis, I would ask Mr. McNamara -- what I want to find out is this, that since the railway has taken over these coastal steamers -- and that is what is referred to there -- the subsidy is being paid to these coastal steamers. I want to find out what interest the province of Newfoundland has in the revision upwards of the subsidy being paid to them.

THE CHAIRMAN: Pardon me, Mr. Covert, has there been any application made to the Maritime Transport Commission concerning this?

MR. COVERT: I do not know; I will find out.

Q. Do you know that, Mr. McNamara, whether there has been any application with respect to this subsidy -- an increase in this subsidy -- made to the Maritime Commission?

A. No, our thought in the matter was that the matter was one for the Department of Posts and the railway, that the subsidy for the carriage of mails has

has been substantially reduced from that paid under the Newfoundland Government. It was further reduced last year when I understand the carriage of mails was put on a mileage basis, and we say that anything that will show the coastal services of Newfoundland in a favourable light must eventually have its reaction.

THE CHAIRMAN: That would be a matter for the postal department, would it not?

THE WITNESS: That is so.

THE CHAIRMAN: I was thinking when I made my remarks about the subsidy paid, would not that be under the control of the Maritime Commission?

MR. COVERT: Q. Does this deal entirely with mail subsidies?

A. Subsidies for mails only.

THE CHAIRMAN: We shall have to adjourn now. We will come back at 2.30.

---At 12.40 p.m. the Commission adjourned to meet again at 2.30 p.m.

St. John's, Newfoundland,

Wednesday, September 28, 1949

AFTERNOON SESSION

---The Commission resumed at 2.40 p.m.

MR. DYSART: Mr. Chairman and members of the Commission, I wish to file as an exhibit copies of each of the contracts which the C.N.R. Company has concluded with the four steamship lines, that is, the Furness-Withy, the Newfoundland Canada Steamships, the Blue Peter Steamships Limited, and the Clarke Steamship Limited. Additional copies will be made available as soon as we can get them from the mainland, and if this is impossible before our departure from Newfoundland, the same will be sent to the Commission at Ottawa.

MR. COVERT: This would be Exhibit 77, consisting of copies of four contracts between the C.N.R., the Furness-Withy, Newfoundland Canada Steamships, Clarke Steamship and Blue Peter Steamships Limited.

EXHIBIT NO. 77 -- Copies of undated agreements between C.N.R. and
1. Furness Withy & Co. Limited
2. Newfoundland Canada Steamships Ltd
3. Clarke Steamship Company Limited
4. Blue Peter Steamships Limited
Filed Sept. 28, 1949, by Mr. A. K. Dysart.

GEORGE C. McNAMARA, recalled

MR. COVERT: Q. On page 32 you set out certain mail subsidies and steamship subventions presumably for the purpose of showing the difference in amount paid to ships operating in this province and ships operating in other parts of Canada; is that correct?

A. That is so.

Q. Could you explain those tables better and explain how they show a difference of treatment?

A. I am afraid our studies did not bring us that far.

MR. COVERT: I am a little confused. I cannot quite understand how they show a difference in treatment, and it seems to me it is indicated that the brief presented the tables for the purpose of comparison, and I was wondering if an example could be taken to show if there is any difference.

THE CHAIRMAN: Q. The schedule of items and subsidies paid -- does that include the mail transportation subsidies to which you referred this morning?

A. I am afraid I do not know whether these are mail subsidies or general subsidies.

THE CHAIRMAN: It is headed "mail subsidies and steamship subventions" but the mail subsidies, that would be a contract and not a subsidy.

MR. COVERT: There are subsidies.

THE CHAIRMAN: Are there?

MR. COVERT: Q. What are the additional subsidies?

A. The additional subsidies cover the increased

cost of coal and of fuel, marine insurance, wages and other items incidental to the operation of steamships. From some time back, I do not know the exact date, six or seven years, some time prior to the war and up to the time of the outbreak of the war, well, all these costs were covered by these subsidies.

Q. Well now then, on page 33 to 38 you set out the steamship services between various ports of call. I notice that the first four give the periods during which they operate. For instance, all the first four are every two weeks and the fifth leaves Lewisporte every Sunday, but when you get to pages 37 and 38 you do not indicate how often the service takes place. Could you give us that just to complete the record?

A. I think it takes about three weeks approximately to complete the Labrador service.

Q. So that would mean every three weeks it would operate?

A. I tell you that subject to confirmation by Captain Dalton, an expert witness, who will arrive shortly.

Q. And the Corner Brook service?

A. The Corner Brook service would possibly take about the same length of time to complete. It covers a distance of 980 miles with a return trip of 1960 miles, and I do not think that could be accomplished in a fortnight; it would probably be three weeks' service at least.

Q. Now, Mr. McNamara, what you have covered in this comprehensive list, is that generally, the coastal services operated throughout the island, for the whole of the island?

A. That is the entire coastal service.

Q. In recommendation No. 10 on page 49, it is suggested that additional coastal steamers be provided by the railway. Now, are these to operate on the particular runs that you have listed on pages 33 to 38?

A. I prefer that the question be deferred until Captain Dalton arrives.

Q. And the same would apply to a question I had in mind about what services you felt were inadequate at the present time?

A. We say, generally, the service, the coastal service, is inadequate between these points. Speaking generally, the service on the coastal fringe is inadequate.

Q. I think the government should provide particulars of wherein the inadequacy lies, and what the requirements would be to meet this inadequacy. I presume by inadequate it is meant in the carrying of traffic and meeting the needs of the people at the present time?

A. Exactly.

Q. Would you turn to page 41 dealing with national harbours. Now, in the first paragraph it says:

> "We are advised that the establishment of one or more national harbours in Newfoundland was the subject matter of discussions between the delegates from Newfoundland and the representatives of the Canadian Government, who negotiated the Terms of Union at Ottawa."

Now, that seems to bring up the point again, Mr. Chairman, as to whether or not we should inquire into those discussions and as to how they were left.

THE CHAIRMAN: It does not go on to say that anything was concluded. It merely says that one or more national harbours, the establishment of one or more such harbours, was the subject matter of discussion, and so on.

MR. COVERT: Yes, and it goes on, "makes it imperative that the idea discussed by the negotiators be implemented."

THE CHAIRMAN: Well, you would have to relate it to transportation and bring it home to us. Perhaps it can be related; we would have to find out what is in the mind of Mr. Lewis.

MR. COVERT: Generally, this brief goes on to recommend that one or more national harbours be created and then it lists the various possibilities; St. John's, Corner Brook, Argentia and Bay d'Espoir.

THE CHAIRMAN: Are there any reasons given for it; are any strategic reasons referred to?

MR. COVERT: This aspect has been taken up as far as St. John's is concerned, and Bay d'Espoir. It seems to me, Mr. Chairman, that it is a matter to be taken up with the Board of Transport. They have taken up the matter of national harbours in other parts of Canada.

THE CHAIRMAN: Not for strategic works. When the government wants to do any strategic work it does it; it does not get the sanction of any bodies at all. Whether or not any public works should be undertaken on strategic grounds is, of course, a matter for another decision.

MR. COVERT: Q. Mr. McNamara, do you know

whether these matters have been taken up with the various departments in the dominion government? It it was from a defence, from a strategic point of view, it would be a matter for the Department of Defence, or if it was from the point of view of making a national harbour, it would be the Department of Transport and the Department of Public Works. Do you know if it was taken up with them -- whether or not these points have been taken up with them, or is this particularly related to the transportation problem from the point of view of this Commission?

MR. LEWIS: Perhaps I can answer that question. The question of national harbours as introduced in this brief is brought in particularly in relation to the transportation question generally, and we have recommended that, in the light of all the facts, the question of the establishment of national harbours at some suitable points should be a matter for consideration by this Commission.

THE CHAIRMAN: You say "national harbours" -- your harbours do become national by the fact that you are now in Canada.

MR. LEWIS: Under the Terms of Union, provision is made for one or more national harbours in Newfoundland.

THE CHAIRMAN: That would mean special works to be created and carried on --

MR. LEWIS: They would be taken over by the federal authorities and operated under the Harbour Commission.

THE CHAIRMAN: There is now in Canada a body and

they call it the National Harbours Board, which has jurisdiction over harbours in the other provinces, such as the seaports of St. John, Halifax and Vancouver, and you want it to apply to St. John's.

MR. LEWIS: Except in so far as we see it, this is integrated with the railway question and transportation generally. For instance, if our recommendation with regard to Bay d'Espoir were implemented and a branch line constructed from Bay d'Espoir to the railhead at the nearest point, it would afford an inlet and outlet for Newfoundland imports and exports that would become an integral part of the government's transportation system, and we are here merely recommending investigation of the various places, particularly Bay d'Espoir; that a recommendation be made that Bay d'Espoir particularly be investigated by the proper authority.

THE CHAIRMAN: What you have no doubt in mind is that certain railway facilities would be furnished, and that they would lead to certain points which are not now outlets to be made into harbours, and it would mean improving them and improving the position of the sea and railway services?

MR. LEWIS: If I might draw your lordship's attention to the green line which is marked on that map from the head of Bay d'Espoir to a point on the railway in the interior of the island in the vicinity of Grand Falls, you will undoubtedly see that if a harbour, a national harbour is established at Bay

d'Espoir and a branch line is constructed as indicated, it would mean the eventual opening up of the interior of the island. It would also mean an outlet for Grand Falls products. At the present time, Grand Falls newsprint is shipped through Lewisporte - Botwood, a port on the northeast coast. That port is frozen over for about five months of the year, during which time the newsprint company has to ship its products over the railway line down here to St. John's.

Now, with reference to Buchans. This mineral producing centre lies to the west and in the immediate vicinity of Grand Falls. The company there also ships through Botwood, which as I have said, is closed down for a considerable portion of the year, so that they are forced to stockpile all their shipments until navigation opens in the spring.

Again, we are instructed that in the vicinity of Bay d'Espoir there is a considerable stand of timber, commercial timber amounting to 939,000 cords. True, it is privately owned, nevertheless it is available for development. We are also instructed that the watershed at Bay d'Espoir is capable of developing 400,000 horse-power. In addition, we are advised by a competent authority that a newsprint mill is a practical idea for the area. The intention would be to use the raw material from Labrador where there is supposed to be about 40 million cords to feed a newsprint mill. In considering all these facts and the necessity for development in the island, we recommend to the consideration of the Commission that

that thought of inquiry into the feasibility of the establishment of a national harbour at Bay d'Espoir be gone into with a view to developing the economy of the island and also helping the railway. Another situation arising, too, would have the effect of eliminating the troubles regarding winter hauling on the railway.

THE CHAIRMAN: It would involve the construction of a railway?

MR. LEWIS: Definitely, my lord.

THE CHAIRMAN: And it would presumably be an extension of the C.N.R. system?

MR. LEWIS: That is our recommendation.

THE CHAIRMAN: And that would lead to the necessity of harbour construction?

MR. LEWIS: Yes, one is complementary to the other.

THE CHAIRMAN: The governments of Saskatchewan and Alberta have representations from people who wish railway construction to make their districts available to ports in Hudson Bay, Churchill and other ports there. That is something similar to what you want in this province. It is your recommendation that you have ports in this province which should have rail connection with the coast. I think that is quite fair.

MR. LEWIS: One other point relating to this matter. In our brief we have pointed out that Gander Airport is isolated and there is no means of communication today except by means of the railway, and we advocate the construction of a military road from

Gander to the seacoast at the most convenient point.

THE CHAIRMAN: Why a military road?

MR. LEWIS: Because we consider Gander a very vital link of defence in view of its strategic position in relation to the mainland. Gander is a great source of defence but meanwhile unless you get in there and get out with men and materials and supplies, it is very vulnerable.

THE CHAIRMAN: It is a matter for strategic operation. The defence of Canada is a matter of military jurisdiction and they are already equipped at Ottawa with a Department of the government which deals with these things. It is not a clear transportation problem, but would this military road also be useful as a transportation road?

MR. LEWIS: It would be very useful. We have such a road today in this country, for instance, the road from Argentia to St. John's was constructed by the American authorities following the occupation of the Argentia base, and they consider that a military road -- that is from Argentia to St. John's.

THE CHAIRMAN: A highway or a railroad?

MR. LEWIS: A highway. They maintain it and constructed it. They have running rights over it; they consider it a military road. So far as the Newfoundland Government is concerned it is a public road, but they designed it as a military road.

THE CHAIRMAN: They maintain it?

MR. LEWIS: Yes, but our idea is that --

THE CHAIRMAN: Doing it as lessees for a time.

MR. LEWIS: Voluntarily I am instructed. They have a ninety-nine year or a nine hundred and ninety-nine year lease of Argentia, and this road was considered a necessary utility.

THE CHAIRMAN: They are not pledged to maintain it?

MR. LEWIS: That is quite true.

THE CHAIRMAN: I think this is very interesting. It is taken down and we have it now, but it might be well for you to expandall that. Perhaps Mr. Covert will co-operate with you to make sure we have all that.

MR. COVERT: Yes.

MR. COVERT: Q. Well, Mr. McNamara, in connection with national harbours, dealing first with St. John's on page 41. You say consideration could well be given to the improvement of harbour facilities at St. John's. Compared with Bay d'Espoir, St. John's is a very small harbour; is that correct?

A. The particular point in Bay d'Espoir would be a fairly large harbour; it would be a harbour of larger proportions than St. John's.

Q. And is the entrance to Bay d'Espoir wider than the entrance to St. John's harbour?

A. Yes, considerably.

Q. And is it open all the year round.

A. Yes, and I think Captain Dalton will give expert opinion on that when he comes.

Q. Perhaps I had better leave all the questions in connection with the harbour to Captain Dalton.

MR. LEWIS: Similarly coastwise questions.

MR. COVERT: Yes.

MR. LEWIS: On St. John's Mr. Russell is available.

MR. COVERT: There is one point in this section dealing with national harbours, and that is the use of a national harbour, and perhaps Bay d'Espoir as a free port. Now does the Newfoundland Government know of any free ports on this continent?

MR. LEWIS: No.

THE WITNESS: There are free ports in Europe.

THE CHAIRMAN: I think Marseilles is one.

MR. LEWIS: And Hamburg and Copenhagen.

THE CHAIRMAN: And the Shannon Airport. I do not know whether there are any other airports.

MR. COVERT: Q. They would not know the problem that we would have in Canada if they created a free port in Newfoundland. I expect there would be immediate demands for free ports in New Brunswick, Nova Scotia, Prince Edward Island, British Columbia and Quebec. I was wondering if the Government of Newfoundland had considered it from that angle?

A. Well, I think we thought of a free port in connection with our national harbours idea. We felt that since the question of national harbours was mentioned in the Terms of Union that we would get national harbours anyway, and at the same time we looked into the possibility of making that national harbour or harbours a free port.

MR. COVERT: There is one other matter. I want to take you back a moment to the Newfoundland Hotel, on page 43. My understanding is that under

the Terms of Union, Section 31, "The Newfoundland Hotel if requested by the government of Newfoundland within six months from the date of Union" will be taken over by Canada as a public work. Now I understand -- perhaps Premier Smallwood can confirm this, that the Government of Newfoundland has made that request.

HON. MR. SMALLWOOD: Yes.

MR. COVERT: And therefore as of October 1st, it becomes a public work of Canada.

HON. MR. SMALLWOOD: Shortly after.

MR. COVERT: Now then the recommendation is --

MR. L. R. CURTIS: We had to let them know by October 1st; they would take it over later.

MR. COVERT: Then the recommendation is that the "expansion and improvement in the service of the Newfoundland Hotel" be initiated as soon as possible; that again would have to be tied to matters of transportation to bring it before this Commission?

THE WITNESS: The point there was that in this capital city of St. John's we must have a hotel, and it was mentioned that the room accommodation even in the Newfoundland Hotel is far from adequate to meet the demands upon it.

THE CHAIRMAN: If the hotel is taken over that would adjust this question?

MR. COVERT: I think, Mr. Chairman, that really raises the question --

THE CHAIRMAN: Would it be a hotel of the Canadian National? I expect probably the Dominion

Government would hand it over to the Canadian National to operate.

MR. COVERT: Have you any information on that, Mr. Dysart?

MR. DYSART: In the first place I have no information, and in the second place if I did have it I would not be at liberty to disclose it.

THE WITNESS: If it is taken over by the C.N.R. it would be in good hands.

THE CHAIRMAN: It is a problem of the Government of Newfoundland or the Government of Canada. What transportation problem arises out of that?

MR. COVERT: That is what I ask the witness, to link it up with the Commission.

THE CHAIRMAN: You have to bear in mind that we are dealing with transportation. What can be submitted to us concerning this hotel to bring it within the Commission?

THE WITNESS: We were looking at it from the angle of accommodation for tourists, accommodation for business people who will use the Canadian National Railway system in greater numbers in the future.

THE CHAIRMAN: What do you propose?

THE WITNESS: We propose that an investigation into the hotel be undertaken to the end that certainly the room accommodation would be expanded, and probably that a programme of expansion generally be undertaken down there and that there be furnished at Port aux Basques and other places where tourists enter --

THE CHAIRMAN: Where is that?

THE WITNESS: Port aux Basques.

THE CHAIRMAN: Do you mean to say that a hotel should be built at Port aux Basques?

THE WITNESS: Yes, there is no accommodation for tourists or business people on arriving in this country at Port aux Basques.

THE CHAIRMAN: It strikes me offhand that the connection with transportation is rather remote. It is the first time that we have heard any such representations made to us in any part of Canada, although there are Canadian National hotels and Canadian Pacific hotels, as you know, across the country. I do not think anybody has made any representation about hotels.

MR. COVERT: I do not think so, Mr. Chairman.

THE CHAIRMAN: No one has tried to link the establishment of hotels up to the question of transportation.

MR. COVERT: It may arise from the fact that railways have gone into hotel business, but it does appear in other briefs.

THE CHAIRMAN: You mean other briefs here?

MR. COVERT: Yes. For instance, I think there is a recommendation for hotel accommodation at North Sydney and at Port aux Basques in one of the other briefs.

THE CHAIRMAN: We have some cases I know of in other parts of Canada where hotels have been constructed or operated by local bodies, municipalities, for instance, but I think they were considered to be

provincial, not dominion.

MR. COVERT: Yes. If they were to be commercial propositions, if they were needed badly, then I think they would be gone into by business concerns.

THE CHAIRMAN: Yes; for instance, if the province were looking over the trend, looking ahead to the construction of hotels, the improvement of hotels.

MR. COVERT: Q. Would you turn, Mr. McNamara, to the recommendations on pages 49-50. I just want to ask a few questions. Now, my learned friend says that recommendations Nos. 1 and 2 are purely from the strategic and military point of view.

A. That is correct.

Q. And recommendation No. 3 deals with alternative outlets and they suggest the port of Halifax or St. John's New Brunswick. Now in assuming that they were used as an alternative port to North Sydney, is it the suggestion that the rate would be the same as the all-rail route through North Sydney to Port aux Basques?

A. Yes.

Q. I think that is what the combination of 3 and 4 amounts to; is it not?

A. That is right.

Q. So that regardless of the route used as alternative to either North Sydney or Port aux Basques you are suggesting that the rate would be the same as the present all-rail rate through North Sydney and Port aux Basques.

A. That is our suggestion.

Q. And that it, in effect, is what you are suggesting in recommendation No. 5 when you say if the Sydney-Louisburg line is used during the winter to take the goods through Louisburg, then that would be treated in the same way and the same rate would apply. It would not be a combination rate or a joint agreement rate, but would be the same rate as exists via North Sydney?

A. That is correct.

Q. Six and seven, I think, have already been dealt with. Now, then, No. 8, where you suggest additional equipment in the way of rolling stock, including locomotives, freight and passenger cars; I understand that the Canadian National has already provided quite a substantial amount of additional equipment. Do you know -- perhaps Mr. Dysart will supply some information concerning what has already been supplied by the Canadian National Railway in the way of freight cars, etc. I understand there has been some.

MR. DYSART: We could give the information with respect to equipment added from April 1st and the equipment which is awaiting delivery.

MR. COVERT: After that information is supplied, if there is still further additional required or the Government suggests sufficient is not supplied, or not being supplied rapidly, I think the best way to deal with the matter, Mr. Chairman, is for the Government to give further particulars as to just what additional requirements are needed.

THE CHAIRMAN: Yes.

MR. DYSART: Might I point out, if I may, the subject matter of the sufficiency of the accommodation as provided by the railway is something which is covered by Section 312 of the Railway Act, and something which is in the peculiar province of the Board of Transport Commissioners and in which the Board takes a great interest. It can compel a railway to substantially add to existing facilities, so that there is always available to any province aggrieved by inadequate facilities to have resort to the Board, and if it can substantiate the position that it takes, it can have the railway forced to supply.

THE CHAIRMAN: You are referring to Paragraphs 7, 8 and 9?

MR. DYSART: I might say that those paragraphs have reference to improvements in the railway, provision of additional rolling stock, and the provision of adequate refrigeration facilities and suitable accommodation.

THE CHAIRMAN: You understand of course that the Board of Transport Commissioners have powers to hear applications at any time referring to the matters of proper facilities and so on, and can dispose of them for you. The machinery is already there.

MR. COVERT: I wantto explain Mr. McNamara this Section 312 of the Act. The whole matter is dealt with there. If the railway does not provide effective service then the matter can be taken before the Board of Transport Commissioners, and I was

wondering whether there was some particular reason why the matter was brought before this Commission.

THE CHAIRMAN: Have you the section 2?

MR. COVERT: Yes, section 312, sub-section 2. There is

another section, too, dealing specifically with such things as station requirements. I think it is 183. I think that is the section.

MR. DYSART: Mr. Chairman, if I may be so bold as to interrupt my learned friend. The station section of the Railway Act to which he has given reference is one under which the Board of Transport Commissioners is empowered to approve of location of stations. It does not relate to my submission.

THE CHAIRMAN: Section 183, you mean? The company gets a charter, but before settling upon its location the company must get the approval of the Board to that particular location.

MR. DYSART: That is correct, but whether or not the facilities which the railway have at any point are adequate are dealt with under Section 312; the other is instructing railway to maintain plant.

THE WITNESS: As to the inadequacy or otherwise of these facilities, we particularly had in mind the diversion of traffic from the United States to the Canadian supplier, particularly fruits; the two questions involved are, first, import restrictions, and secondly, that owing to the fact that our imports from Canada will be enhanced considerably, it is

important that we get proper facilities for the handling of foodstuffs -- particularly fresh vegetables and fruit,and if they have to come from Canadian sources of supply then we must have facilities to bring these commodities to our people. At the present time it may be those facilities are there, but I think we had in mind the fact that we will have to get the fruit supplies and the food supplies in greater volume in the future from Canadian sources than formerly.

As long as the position is clearly understood that if the facilities are not regarded as adequate, there is the machinery existing under the Railway Act, whereby the matter can be placed before the Board of Transport Commissioners, it is all right. I imagine the usual practice is to take it up with the railway first, and if the railway does not see eye to eye with it, then there is the Board of Transport Commissioners and they have the power to determine it.

Going on to Number 10,-- that has to do with coastal steamers.

No. 11 is Feeder roads.

No. 12 is Airports and that is to be dealt with in a special Brief.

No. 13, -- I do not think there is anything additional on that point. That, again, had to do with subsidies. That is all I had to ask.

CROSS EXAMINATION BY MR. DYSART

MR. DYSART: Q. For the information of the Commission, I would like to direct a few questions to Mr. McNamara. First, as to the Recommendations contained in the Brief, particularly items three, four and five, in which you suggest that alternative routes other than North Sydney, and Port aux Basques be provided and that the same all-rail rate which is now in effect be extended to those alternative ports. I note from Sections 31 and 32 of the Terms of Union and especially Section 32, that the Dominion of Canada undertook to maintain in accordance with the traffic offering a freight and passenger service between North

Sydney and Port aux Basques. I assume -- you correct me if I am wrong -- the question of the sufficiency of the route which is now being utilized was the subject matter of considerable discussion at the time the Terms of Union were negotiated. The question I would like to direct to you is, whether or not any suggestion was made to the Dominion Government with respect to the alternative routes at the time the Terms were concluded?

A. I am afraid I cannot answer that. I was not at Ottawa when the Terms were negotiated.

Q. I do not want to embarass you. I am merely seeking enlightenment. I was wondering if the Premier might like to answer that question.

HON. MR. SMALLWOOD: What is the question?

MR. DYSART: Q. The question I would like to ask is whether or not the representatives of Newfoundland present when the Terms of Union were negotiated, raised with the Dominion authorities the proposals which they now advance here with respect to the Province, of alternatives other than North Sydney and Port aux Basques.

MR. LEWIS: If I might interject here -- I think there is some misconception. The submission we make as to alternative routes is predicated upon this fact:- Under the Terms of Union, the import route, if I might call it that, through North Sydney and Port aux Basques is constituted an all-rail route. Now, an all- rail route presupposes an all-rail rate. An all rail rate, consonant with that obtaining in the Maritime region makes it, I submit, impossible

for an outside unit to compete with the all-rail route. Therefore it gets back to this position -- that the C.N.R. has to channel through North Sydney and Port aux Basques the imports from Canada into Newfoundland on an all-rail rate basis and I think it is indisputable that they cannot do it. It is a physical impossibility for the facilities available to the C.N.R. to move the volume of traffic that has to be moved from the Canadian market into Newfoundland through the Sydney-Port aux Basques gateway. Therefore, it follows that alternatives will have to be provided by the C.N.R., not by us. Neither has Newfoundland to pay the differential that must arise by using this alternative gateway. It has to follow because Sydney-Port aux Basques cannot handle the volume of traffic. They have lifted only sixty-five thousand tons of the total movement into Newfoundland in 1948 which amounts to about seven percent of the total. It will be accepted all 'round that they cannot move it in that direction.

THE CHAIRMAN: Perhaps the word "alternative" is misapplied here. You say you are entitled to the all-rail rate.

MR. LEWIS: We are merely saying that if the C.N.R. or C.P.R. -- we do not care who -- have to use Saint John or Halifax as alternative outlets for Canadian goods, then the Newfoundland receiver is entitled to the same rate structure as if that was all-rail through Sydney and Port aux Basques.

THE CHAIRMAN: When you say "additional", is that something specified or set out in the Terms

of Union? I have not the Terms of Union before me, but I understood the Terms of Union referred to one route and it might be argued on the other side that that is all you can have and of course you would not accept that.

MR. LEWIS: The practical mechanics of that would be this:- John Jones who obtains his goods through North Sydney-Port aux Basques all-rail would be at a very considerable advantage over John Smith who would receive his goods by way of Halifax and Saint John and the water route if two different rate structures applied.

THE CHAIRMAN: I do not see why that cannot be determined by Mr. Covert, whether or not the terms of Union cover it. What is your position in this, Mr. Dysart? You seem to put it that the Provinces can ask for one or the other.

MR. DYSART: That is the basis of our argument.

MR. LEWIS: We are saying if you use it, you will have to give us the all-rail rate.

MR. DYSART: I am leaving out entirely what is a fair and proper rate, whether the Terms of Union are fair or not; I do not consider that it is in my province to discuss or advance at this time, but the suggestion I want to make to the witness is that having negotiated the Terms of Union in their detail and to be found in some thirty odd terms, and specific provisions having been made for an all-rail route between North Sydney and Port aux Basques, I want to find out why the Government or those who negotiated on behalf of Newfoundland did not advance

these considerations which must have been in their minds at the time of the negotiation.

THE CHAIRMAN: Whether they did or not, I do not think we are affected by it now. I doubt the advisability of raising such a question.

MR. DYSART: I am entirely in the Commission's hands. Whether the answer is yes or no, does not solve my point.

THE CHAIRMAN: Whether the answer is "yes" or "no", they finally agreed not to ask for more than this. That does not bind anyone.

MR. DYSART: It might enable the Commission to evaluate the submission now advanced.

THE CHAIRMAN: I think we would have to evaluate them. But things might have changed since the Union, although the time is very short. I understand that there is a great deal more travelling occasioned by the union. I do not think it is a very necessary question. If we begin that we will never get through. We will be here for months.

MR. DYSART: If I might just conclude my remarks -- it is my suggestion, my respectful suggestion, that the Terms of Union are matters which are within the competence of the parties who negotiated and concluded the arrangements. With respect to your Lordship, it is not a matter on which this Commission is charged with the responsibility of making recommendations.

THE CHAIRMAN: That is how you look at it. That does not mean to say matters of change or improvement cannot be considered from time to time even if they should lead to legislation or amendment.

Special recommendations might cause amendments to the Railway Act.

MR. DYSART: Quite appropriately so. I move to withdraw the question.

THE CHAIRMAN: You are not prepared to say on behalf of the C.N.R. that they are bound by certain Terms of Union and will oppose any extension --

MR. DYSART: We are not opposing anything. We are seeking enlightenment for our information.

THE CHAIRMAN: I have not the Terms before me, but nothing has been advanced here to convince me that there is anything in any way wrong in what has been asked for by Mr. Lewis; anything we should not consider.

MR. DYSART: They appear to be asking for additional facilities.

MR. CHAIRMAN: I am speaking of the Terms of Reference of this Commission. The Terms of Reference are very wide. They cover all matters concerning jurisdiction of parliament over transportation and parliament has not divested itself of any power by concluding the Terms of Union with Newfoundland.

MR. DYSART: Q. Page 11 of the Brief -- "Economy of Newfoundland". I notice the total value of Newfoundland exports, inclusive of codfish, fresh and salt and other products of the fishery was in 1948 $29,358,000.00 of which $16,405 was accounted for by Salt codfish. Are you in a position to inform the Commission as to the proportion of the total of 1948 exports moved by rail within Newfoundland and the proportion moved by water?

A. If you are referring to export movement -- and I presume you are, I would say a very small portion of the value of salt codfish exports was routed by the Newfoundland railway. In connection with other fishery products, the railway would handle substantial quantities of fresh salmon, smelts and perhaps some lobsters. But the volume of these products so handled would not, in my opinion, be more than ten per cent of the twelve million dollars in question.

Q. How much of the sixteen million dollars?

A. By direct export? Very little, except by what we call "the Splinter Fleet". I think the Splinter Fleet would handle that. The railway coastal boats would not handle very much of that fish.

Q. Where is the codfish marketed?

A. The salt codfish market would be in the Mediterranean, Porto Rico, West Indies and Brazil in normal times.

Q. The markets for the other, I assume, would be the United States?

A. Mostly in the United States.

Q. In the year 1948 you exported 354,372 tons of newsprint. What proportion of that tonnage moved by rail from Grand Falls, St. John's, Corner Brook, Port aux Basques.

A. We have here the traffic man from Bowater's and the traffic man from the A.N.D.Co. They can answer it offhand.

Q. If I were to tell you that of that total tonnage, only sixty-six thousand tons or eighteen and one-half percent is moved by rail, would you be inclined, from your intimate knowledge of these matters, to disput it?

A. I would rather have Mr. Murphy or Mr. Molloy answer that.

Q. Would you agree with me if I suggested that the bulk of newsprint --- the 354,372 --- the bulk of that moves by water and is not affected by rail haul?

A. The entire production of the Anglo -Newfoundland Development Co. would originate as a rail haul because it is not a seaport. The railway must handle a considerable amount of that newsprint.

Q. How about the winter shipments from Grand Falls and from Corner Brook?

A. The winter shipments would go by Port aux Basques in the case of Corner Brook.

Q. And what about the summer shipments?

A. The summer shipments go directly from Corner Brook by water.

Q. And the A.N.D. Company, -- does it handle its shipments itself from the plant to the seaport, or does it use the services of what was formerly the Newfoundland railway, now part of the Canadian National?

A. I believe Mr. - the gentleman from Grand Falls will tell you about that, and subject to what they may say, I believe that the haul from Grand Falls to Botwood is made over A.N.D. lines.

Q. Now, is this movement of newsprint by rail normally a seasonal one; does it take place in the winter or summer or all the year round?

A. All the year round, because Botwood, the shipping port for the A.N.D.Company is closed part of the year and the newsprint would be shipped either to

St. John's or Port Aux Basques.

Q. And from Corner Brook, how would it be shipped in the summer or during the season of navigation?

A. By water direct in the summer and by rail in the winter.

Q. Then there would be a substantial movement by rail in the winter?

A. Quite definitely.

Q. Have you any record of the tonnage?

A. I say that the experts here would know.

Q. What would be the average for the period of navigational season at Botwood and Port aux Basques, How many months of the year are the harbours open?

A. I believe Corner Brook freezes over late in December or early January and does not re-open until at least April.

Q. And Botwood would be the same?

A. Botwood would be a longer period I should say.

Q. I understand, -- and correct me if my information does not agree with your conception of the matter,-- I understand that this spring for the first time the Icebreaker "Saurel" was brought up to Corner Brook and succeeded in re-opening the harbour a little earlier than it normally would be opened?

MR. LEWIS: Q. I think these questions would be better directed to Mr. Murphy or Mr. Molloy who are here representing Bowaters.

WITNESS: In answering the question, you could get more expert information from these gentlemen named. I do know that they had the services of an icebreaker last spring and that it was of great value to them.

Q. The point I want to get from that was that by adding to the period of navigation, more of the available tonnage would be moved by water than by rail?

A. I agree with that.

Q. On page 12 of the Brief referring to the fact that the chief minerals, the iron ore located on Bell Island on the East coast, and the copper-zinc-lead concentrates at Buchans in the interior, and the fluorspar deposits at St. Lawrence on the Burin Peninsula, and the limestone on the West coast, is it not a fact that the only movement of minerals hauled over the Newfoundland railway from the deposits you mention consist of the copper-zinc-lead gravity concentrates from Buchans, and all the other movements of which you speak are moved mainly by water?

A. That is correct.

Q. Do you know that in the year 1948 the total tonnage hauled by the railway of the copper-zinc-lead gravity concentrates, which were handled by the Newfoundland railway, was 120,125 tons while the total mine production of the province as indicated by the Dominion Bureau of Statistics was 1,987,825 tons, so that in effect the railway handled about 6% of this traffic?

A. I would agree with that, but I would add that we are looking forward to quite an expansion at Buchans which will oblige the railway to handle more tonnage at that point.

Q. Now, on page 18 of the brief you speak of the numerous important subsidiary industries which have

developed along the line of railway in the way of lumbering and allied industries. What exactly have you in mind in your use of the expression "allied industries"?

A. We have small saw mills, cooperage, cutting of ties, poles, pit props for mines and various other industries which in the aggregate employ a number of persons.

Q. Now, turning to the matter of railway rolling stock to which you make reference on pages 18 and 19 of the brief. I notice that the statistics which are included in your brief on those pages purport to represent the rolling stock inventory of the railway as at April 1st, 1949. In order that full information may be placed before the Commission, I think I should say that since April 1st last there have been added to the equipment inventory 8 passenger coaches and 6 Mikado locomotives and there are presently on the mainland awaiting shipment to Newfoundland 50 flat cars. These are situated at Halifax and we expect these to be received in the very near future, and with the additions to equipment that I have just mentioned, and the tables set forth on pages 18 and 19, the Commission will have the full equipment for the Newfoundland railway. Now, on page 21 you state that the total importations into Newfoundland in 1948 consisted of 1,221,737 tons. Is that figure for the calendar year?

A. That figure would be up to the end of March I believe.

Q. In other words, it covers the period from April 1, 1947 to March 31, 1948?

A. I think so.

MR. DYSART: The reason that I draw this to your attention, Mr. Chairman, is that the figures from the Dominion Bureau of Statistics, which I thought were copied, covers part of the year 1948 and part of 1947.

THE CHAIRMAN: It would be for the 12 months period ending on the 31st of March, 1948?

THE WITNESS: Yes.

MR. DYSART: Q. Having been in the witness box for so long, you will be grateful to know that I am going to direct to you that last question. On page 44 of the Brief yyou recommend that a national harbour be developed at Bay D'Espoir. What effect would the establishment of such a harbour have upon the present dominant position of the city of St. John's in relation to matters in this Province?

A. It would have a very good effect on the city of St. John's. If through increased development along economic lines, development of that section of the Country, if that would come, there should come better times for St. John's.

Q. Then you are not fearful at all of the possibility that the creation of such a national harbour might result in the establishment of Bay D'Espoir as another distributing centre, which might become the heart of the Island's business district, as it were, and relegate the City of St. John's to a position of lesser importance than it now occupies?

A. From the angle of tonnage entering St. John's harbour, yes, perhaps, but St. John's would inevitably

benefit from the opening up of Newfoundland as a whole.

MR. DYSART: My reason for asking that question is because evidently other do. The Brief of the Board of Trade recommends a different alternative to that proposed by the province ----

THE CHAIRMAN: What does that brief recommend?

MR. DYSART: The establishment of a service between St. John's and Halifax, a boat service.

CAPTAIN MARTIN GILBERT DALTON - Called

EXAMINED BY MR. COVERT

MR. COVERT: Q. Would you give us your full name?

A. Martin Gilbert Dalton.

Q. What is your occupation, Captain?

A. Marine Superintendent at the present time.

THE CHAIRMAN: Of what?

CAPT. DALTON: The Canadian National Railway.

MR. COVERT: Mr. Lewis have you a copy of the brief which you can give to Capt. Dalton

MR. LEWIS: Yes, certainly.

MR. COVERT: Q. I think you prepared or assisted in the preparation of the material in the brief listing the steamship services, ports ofcall and so on as set out on Pages 33 to 38, is that correct?

A. That is correct.

Q. Now, on page 37 dealing with the Labrador service, is that every three weeks?

A. That is every 21 days or as near as possible thereto.

Capt. Dalton

Q. And what about the Corner Brook one on page 38?

A. There again it does from 21 to 23 days depending on weather conditions.

Q. Now, it has been suggested that this coastal service is inadequate. Could you indicate which of these particular services is inadequate to meet the present demands, and in what respects?

A. I would not say they are inadequate at all, but it depends on what is meant by adequate; whether it is proposed to establish a 10 day service or a 21 day service or a fortnightly service is a matter for the authorities concerned to do that, but with the coastal boats we have we certainly cover the coast.

Q. Then on this point it is more a question of the time element involved?

A. Yes.

Q. And to provide additional services - for instance to cut the 2 weeks service to one week's service would mean one additional boat? A. Yes.

Q. And to make the 3 weeks service a one week service would require three boats? A. Yes.

COMMISSIONER INNIS: You are asking for the services on page 38, -- are you referring to the Corner Brook - Battle Harbour service?

MR. COVERT: Yes, sir, that is the 21 to 23 days service.

COMMISSIONER INNIS: It says here the "Clarenville", and the "Clarenville" is a 10 day service.

THE CHAIRMAN: Ten days for the whole service.

THE WITNESS: The "Clarenville" leaves Corner Brook every 10 days.

MR. COVERT: Q. Then the St. John's-Corner Brook service, how often is that, or is that the one you have referred to as a 21 to 23 days service?

A. Yes, that is the 21 to 23 days.

COMMISSIONER ANGUS: The dangerous condition of overcrowding does it exist on that boat? Recommendation 10 refers to the dangerous condition of overcrowding.

MR. COVERT: Q. That is on page 49 of the brief. Would you care to comment on that?

A. I can tell you the reason for overcrowding. It is this: because the service is so long in the fall of the year, and there is such a number of people waiting that if we turn the people down, which would be a job to do, but if we did not take them, they would have to wait for perhaps 3 weeks for another passage, that is what creates the overcrowding on the boats

COMMISSIONER INNIS: Q. Is that overcrowding every trip, or is it the first trip?

A. Usually the spring and fall trips.

COMMISSIONER INNIS: Q. Just two trips?

A. Not necessarily two trips, four trips sometimes, the spring and fall trips.

MR. COVERT: Q. That would mean two trips in the spring and two in the fall when there would be overcrowding? A. Yes.

Q. I think, Captain, that Dr. Innis would like some explanation of the term "Dangerous conditions" of overcrowding.

MR. LEWIS: That would not be a question for Capt. Dalton. We are going to introduce a witness on that point.

MR. COVERT: Q. Perhaps Capt. Dalton could give us some information on whether or not the overcrowding is dangerous.

A. That would be when overcrowding takes place. What I would mean by overcrowding is when you have not berths for all the passengers, but from the point of safety appliances, there is certainly no danger.

Q. Then it is purely from the lack of berths that the overcrowding to which you refer arises?

A. Yes, but not so far as life saving appliances or equipment are concerned.

Q. Have you any particular observations that you would like to make with respect to the coastal services that you feel might be beneficial to the Commission?

THE CHAIRMAN: Q. Do you think it advisable to increase the number of steamers in order to do away with this overcrowding?

A. There again, my Lord, it is a matter of policy.

Q. But is it feasible? A. Yes, quite feasible.

Q. Would these steamers be as necessary all the time? A. Only certain times of the year is there insufficient accommodation.

Q. What about the rest of the year?

A. They are not so overcrowded.

Q. If you provide additional steamers, what would they be doing the rest of the time when they are not required or not busy?

A. Again it is a question of policy, but the additional steamers could be used to call at ports where they do not call today. The coastal service does not serve every port in Newfoundland.

Q. When you say it is a matter of policy, do you mean whether it is a business proposition or not?

A. I would say business and perhaps political as well.

MR. COVERT: Q. Well then, it is a matter, it is really a matter of whether or not you can find the number of ships, perhaps the volume of traffic offering, or whether you want to serve more ports and provide more ships to take perhaps less traffic per ship. Is that it?

Q. Yes, or you could put it another way. There are quite a number of our people situate in small ports throughout the Island, and as I said before it is a matter of policy whether you give them a three weeks or a ten days service.

Q. What dictates that policy, or what should dictate that policy. Would you give us your views on that?

A. I would say the policy of the people operating the services, combined with requests, whether feasible or not.

THE CHAIRMAN: Could you find out how the revenue would be affected?

MR. COVERT: Yes. Could you give us some enlightment on that, Captain Dalton? Take the first

route here; you have Placentia Bay, West run, every two weeks. Supposing you doubled that service and made it every week, how would that affect the revenue?

A. It is not very economical at the present time to operate the ship every two weeks. It certainly would be less so to operate her every week.

A. Are any of these coastal services paying their way at the present time? A. None of them.

THE CHAIRMAN: Q. They are all receiving subsidies?

A. A small subsidy, 50 cents a mile.

Q. Take into consideration the subsidy they receive. You say they do not pay?

A. They do not pay even with the small subsidy which is granted.

Q. The subsidy does not cover the deficits?

A. Not now.

Q. Was it always the policy that they would be operated at a deficit? A. No, because the Post Office paid the Newfoundland Railway quite a good sum for subsidies up to 1931, and then they reduced it gradually, until at the present time it is down to $65,000.

Q. When you refer to the Post Office in 1931, is that the Newfoundland Post Office? A. Yes.

MR. COVERT: Mr. Chairman, that is pretty well set out in the Brief, the original amount they received and the gradual lessening of that amount until they finally put it on a basis of fifty cents a mile.

THE CHAIRMAN: These boats carry the mail and they get paid for that?

MR. COVERT: They get paid fifty cents.

WITNESS: Per steaming mile for handling the mail.

THE CHAIRMAN: Q. Is that all they receive in the way of subsidy and they get that from the Postal Department? A. From the postal service.

THE CHAIRMAN: What about the other subsidy, Mr. Covert, provided for in the Maritime Transport Act? Of course, Newfoundland was not in the Dominion.

MR. COVERT: No, Newfoundland was not in the Dominion then. And another thing, Mr. Chairman, I suppose some of these lines were operated by the Newfoundland Railway. Is that correct?

THE WITNESS: All of these were operated by the railway.

THE CHAIRMAN: Q. Is it the fact that these lines are now operated by the Canadian National?

A. Yes.

THE CHAIRMAN: Would that preclude them from being subsidized under the Maritime Commission Act?

MR. COVERT: I am not sure of that, Mr. Chairman, but I suppose the point was that there would not be much point in subsidizing them, but I must say I understood Mr. McNamara --

MR. LEWIS: If I might interject --

Capt. Dalton

THE CHAIRMAN: Are you acquainted with the Maritime Transportation Commission? That is a Board which is empowered to grant subsidies to coastal steamship lines in order to keep the services running.

MR. LEWIS: I was not aware of that Act.

THE CHAIRMAN: It may be well for you to direct your attention to it.

MR. LEWIS: The Premier has requested me to ask if that is the Board of which Mr. Clyne is Chairman.

MR. COVERT: Yes, the Canadian Maritime Commission.

MR. LEWIS: I would like to make a remark. Asking the Federal Government to pay the subsidy to the Canadian National Steamship Company coastal service of Newfoundland makes no difference to us. So far as we are concerned in the Province it makes all the difference in the world if they are given proper subsidies so that the services can be stepped up accordingly. If they are entitled to an adequate subsidy I think they should have it.

THE CHAIRMAN: I suppose the application for the subsidy comes from the steamship companies. It is a matter for consideration all right.

MR. COVERT: Q. Captain, do I understand then from you that the routes listed on pages 33-38 of the Brief are all operated by the Canadian National?

A. Those routes were operated by the Newfoundland Railway up to April 1st and since that time they are operated in toto by the Canadian National Railways (Newfoundland service)

Q. Well, if the subsidy to the ships operating on these were increased, I suppose that would automatically enable the increase of subsidies to other boats. There are other steamships providing coastal service?

A. No, these are the only coastal services.Q.These constitute the only coastal services provided in Newfoundland? A. For passengers; there are freights moving to and from.

Q. And these are the only ones that carry mail?

A. That is not quite correct, because there is one little boat running from Portugal Cove to Bell Island taking mail.

Q. Does it take passengers? A. Yes, -- it is a three mile run.

HON. MR. SMALLWOOD: A ferry service.

THE CHAIRMAN: It is paid for carrying the mail. Do you know whether it gets any other subsidy? There is a reason why it might not apply for a subsidy

COMMISSIONER INNIS: Q. Is it not the policy of the Government to operate the railway and steamship services at a deficit and have the deficit met from taxes upon the whole of the Newfoundland people? A. That was the policy.

COMMISSIONER INNIS: In Newfoundland has it always been the policy to operate both the railway and the steamships at a deficit?

A. Yes, with the exception of a very few years.

MR. COVERT: Q. He has asked you whether it was the policy, not whether it was the fact.

A. I would not say it is the policy.

MR. COVERT: I interjected that because it seemed to me when he gave that answer perhaps he misunderstood the term "policy".

COMMISSIONER INNIS: Q. In general, actually it was thought of as an instrument of Government, not intended to pay, and therefore it was just a part of the Government's duty to meet the deficit.

A. That was never the policy here.

COMMISSIONER INNIS: Q. As a matter of fact it did lose with the exception of a few years.

A. It did lose with the exception of a few years, although we were trying to make the thing pay. It was not the policy to make it lose. It was not the policy to lose money. It makes a difference when it comes to the Canadian National Railway, it is an instrument of Government. Now the Newfoundland Railway is something else.

THE CHAIRMAN: Q. I did not think that it is the policy to make it lose. It may have been the policy to run it regardless of high costs.

A. No, that was not the policy, because if the losses became too great these services were cut down considerably.

COMMISSIONER ANGUS: Q. You always thought in terms of losses rather than profits? A. Not alway

MR. COVERT: Q. Captain Dalton could tell you how the number of coastal boats compares now with twenty years ago?

A. I think we have a list here, have we not?

Q. That comparison -- you mean on page 29?

A. And page 30 -- nine against fourteen.

Q. Nine against fourteen before, but they are larger boats now then they were then? A. Yes.

Q Are you familiar with the services during the two periods -- the services rendered by the different boats? What I want to know is how the service compares now with what it used to be.

A. I am familiar with the services from 1910 onwards to the present time.

Q. How does the service compare now with 1910?

A. They are not as frequent as they were then.

Q. Now on the question of the Harbours, Captain, are you in a position to give views on which of the harbours mentioned, St. John's, Corner Brook, Argentia and Bay d'Espoir,-- which of these harbours would be more suitable for a National Harbour?

A. As a long term policy I would suggest Bay d'Espoir.

Q. It has definite advantages? A. Very definite advantages. It is a port which you can rest contented is free of drift ice for twelve months of the year.

Q. More easy of entry? A. Yes. It is a larger area and the entrance as well is much larger than St. John's.

Q. St. John's, as a matter of fact, has a very narrow entrance? A. Narrow but safe.

A. And is there some difficulty about boats turning round in the Harbour on account of size?

A. No, we have had 18,000 ton ships here.

Q. There was a suggestion that the Harbour of

St. John's could not take boats of large tonnage?

A. Of large tonnage? I was just remarking we have had 15,000 and 18,000 ton ships here.

Q. I am sure I either read it in a Brief or some evidence was given to the effect that St. John's was limited as to tonnage, I think it is in the Provincial Brief. There was a definite limitation on the tonnage of ships coming into St. John's.

A. Is that meant as to number or size?

COMMISSIONER INNIS: It is page 41. It reads "Only ships of moderate tonnage".

MR. COVERT: Q. You would find that on page 41, Mr. Chairman, in the fifth paragraph from the bottom, the second and third lines. I was wondering if you could tell us what the tonnage is.

A. I expect it was put in there for the handling of ships. You were asking about entry. The entry of ships and turning around is one thing but the docking of that vessel at a port and discharging and/ or loading is another. It is quite correct that the facilities here are not capable of handling large ships.

Q. The facilities or the size of the harbour?

A. Not the harbour.

Q. Not the size of the harbour? A. No.

Q. They could easily come in here and turn?

A. Yes, that is right.

Q. Well if that is so, then Bay d'Espoir probably offers no better -- A. The Harbour at Bay d'Espoir is no better than the Harbour at St. John's from the point of view of size. It is just a

question of facilities and/or ice conditions.

Q. Do you suffer from ice conditions in St. John's?

A. We certainly have in the past, During the War and since the War we have never had any ice conditions. We were very fortunate. But there are winters when the St. John's harbour is blocked with ice at the entrance, and that is not the only point. It is the Arctic ice coming down with the Arctic current off St. John's which bothers vessels in getting near the port; not the actual blocking of the port; it is the ice in the offing.

Q. Now are there other reasons why you suggest Bay d'Espoir? A. There are several reasons why I would suggest Bay d'Espoir. One is you are tapping the centre of the Island there, and there is much more space for laying out a Harbour then here in St. John's.

Q. It has been suggested, C ptain Dalton, that the construction of Feeder Roads would be of considerable assistance to the coastal service. Would you care to express any views on that?

A. I have a very decided view on that. I think it would help out more than anything we could recommend For one reason -- there are several ports which we serve which are open roadsteads or poor anchorage. We have to delay at those ports for two or three days, or otherwise pass them, which is hardly fair to the people; and if there was a road connecting those open roadsteads -- of which there are several -- it would speed up the coastal service.

Q. When you say "road" do you mean highway or railway?

A. Roads from the open harbours to the good harbours.

Q. That is what they call feeder roads. Now we are back again to the question of provincial jurisdiction.

CROSS EXAMINATION BY MR. DYSART:

MR. DYSART: Q. Would you be good enough to explain to the Commission the means by which the mail is handled on the coastwise system and the difficulties under which it is handled?

A. The mail is brought from the Post Office to the shed or wharf here in St. John's. We provide men to load that mail -- stevedores; assort it and load it in the different places on the ship. Then we sail from St. John's to the first port where there is no wharf. Then we have to lower a boat, put the mail in, row it ashore. After taking it ashore, we take it to the post office, take the return mail from the post office back to the boat and row back to the ship. That continues for thirty or forty or fifty ports, whatever we serve.

THE CHAIRMAN: Q. The Department pays you so much for doing that?

A. Fifty cents a mile.

Q. Irrespective of the number of mail bags?

A. Yes, sometimes we have as high as 2,600 going across the gulf for 50 cents a mile.

Q. You have no dock facilities at these ports?

A. Where we have no dock facilities we have to anchor off shore about one-half or three-quarters of a mile. Then we row the boat in.

Q. Is the post office right at the shore line?

A. It is usually the farthest house in the village.

Q. What went on before confederation?

A. The same procedure.

Q. The same subsidy?

A. Since 1946.

THE CHAIRMAN:

Q. The 50 cents began in 1946? Was it more before that or less?

A. In 1931 the railway steamers were paid a subsidy of $383,250.

Q. How did that compare? Would it be more than 50 cents a mile?

A. Last year we received $65,305.86. In 1931 it was six times greater. It was three dollars a mile.

MR. DYSART: Q. There has been considerable reference to mail subsidies. Is it not a fact that there is no such thing as a mail subsidy? The payments to which you referred, the actual payment from the Post Office, is for the physical haul incidental to delivering and collecting of mail. It is not a subsidy?

A. We have no subsidy whatever.

Q. In relation to the application then of that name "subsidy" to this particular case, it is a misnomer

A. That is correct.

Q. Are you giving a more extensive coverage of the coastal service this year than in recent years?

A. Not more extensive; we are calling at more ports. Previous to April 1st there were several ports with one-way call, going north or coming south. In fact, we could not afford to do anything more than that. Several of those ports now are added going and returning.

Q. You are giving a greater service to the residents on the coast now?

A. That is correct.

MR. LEWIS: Q. How many?

A. About ten or twelve ports. Five in Gander Bay.

Q. Out of the 1,300 coastal ports, you have added ten or twelve in your ports of call?

A. Yes.

MR. DYSART: Thank you very much.

RE-EXAMINATION BY MR. LEWIS:

MR. LEWIS: Q. With regard to the port of St. John's, have you any observations to make as to suggested improvements

A. There are several improvements you could make, but our set-up here to make those improvements would cost a lot of money and I am doubtful if it would be in our interest to make them.

Q. Are you speaking as a railway man now?

A. No, I am speaking as a citizen.

Q. What have you in mind?

A. Our peculiar set-up -- those finger wharves running out into the harbour, and other wharves owned by private firms, if we wanted a national harbour, naturally we would want some premises and some one would have to pay for that service in the harbour. What I mean is, I do not know whether goods would be landed any

cheaper than they are today. It is true you could put a sea wall up and down this harbour, which I would like to see and perhaps the drop off in trade would not warrant it; but whether that would be better for our people or not -- I would like to have some consideration on that.

Q. First of all, from the standpoint of improvement as such; do you suggest that a seawall is necessary?

A. Yes.

Q. On both sides?

A. If you are going to have a national harbour, you would have to have rail connection; and you must have a seawall to run the train over.

Q. That would involve the expropriation of all those places on the north side of the harbour?

A. Yes.

Q. If such construction was carried out, then it would also involve the extension of the railway system, would it not?

A. Yes, wherever the wall went.

Q. You think that the expenditure would be justified?

A. I doubt it.

Q. Did I understand you to say that you had added five additional ports of call to your service?

A. Ten or twelve. Five in one bay.

Q. Could you tell us how many settlements there are around the coastal area serviced by the coastal ships? The area that is being serviced by the coastal boats:

A. Thirteen hundred settlements altogether; not

ser iced by us, but that is the number of settlements.

Q. It is the area that is being serviced by the coastal ships?

A. That is correct.

Q. It embraces thirteen hundred settlements?

A. Yes.

Q. You have added to the list, ten to twelve during the past year?

A. Yes, ten to twelve.

REGINALD F. SPARKES, called. Examined by Mr. Lewis.

MR. LEWIS: Q. What is your occupation at the moment?

A. I represent the District of St. Barbe in the provincial parliament.

Q. Would you point out on the map where the district of St. Barbe is?

A. From Trout River to Big Brook in the northwest portion of the island.

Q. Is that particular section of the coastline serviced by the coastal steamer?

A. Yes.

Q. What ships operate there?

A. From Corner Brook to Battle Harbour and return, one of the so-called "Splinter Fleet," motor vessel Clarenville. From St. John's to Corner Brook, the S.S. Northern Ranger.

Q. Would you care to make any observations regarding the inadequacies of that service, from the standpoint of overcrowding?

A. That would apply to the motor vessel Clarenville. I understand the Clarenville has accommodation for five people only, other than crew members. So the Clarenville is primarily a freight boat. I would like to say there are no complaints from the people of St. Barbe in regard to the handling of freight, but there is always overcrowding because there are more than five people travelling. There is no saloon as such, which means that if there are more than five passengers travelling, somebody has to spend all the time on deck.

Early in the spring and late in the spring the overcrowding is terrible. As many as 55 people pour on board that boat, usually at the Corner Brook end of the route. It means that practically all of them have to spend the trip out of doors on the deck. Most of those people are going from Corner Brook to Port Saunders, which is roughly 100 miles distant. The distance from Corner Brook to the first port in the district of St. Barbe, which is Trout River, is 50 miles.

Q. Are there any harbours on that course from Bonne Bay to Port Saunders?

A. No harbours.

Q. From Port Saunders, north?

A. Yes.

Q. How far from Port Saunders to the next harbour?

A. A very short distance, about nine nautical miles, to Port au Chois.

Q. With regard to that particular section of the coastline, as regards the coastal service, have you any observations to make regarding the inadequacy or

otherwise of that service?

A. The Clarenville handles freight very well, but it is impossible to control the number of people who go on board that boat; passengers are coming on and off over the entire route because it is the only means of travel. While the Northern Ranger, the twenty-one day boat from St. John's to Corner Brook does make the trip, yet more often than not the weather is so stormy that the Northern Ranger cannot call at those so-called harbours between Port Saunders and Bonne Bay. Therefore the Northern Ranger can practically be discounted as far as passenger service is concerned. That is why the build-up occurs on the Clarenville. The people have to get that boat because it is the only means of travel. As I said before, the overcrowding results from lack of accommodation because the boat is not a passenger boat.

COMMISSIONER INNIS: Q. Is the overcrowding on every trip?

A. In the early spring and fall there is a great deal of overcrowding. If they take on more than five passengers they are compelled to spend most of their time on deck.

Q. For all intents and purposes it is every trip?

A. Yes. I would like to say here that the officers of that ship are always ready to give up their berths and rooms whenever possible.

THE CHAIRMAN: Q. When you speak of sleeping on these vessels, is there night travelling?

A. There are five berths.

Q. Yes, but does it entail travelling through the night?

A. Yes.

MR. LEWIS: Q. How long does it take usually from Corner Brook down the coast to Flowers Cove?

A. Ten days.

Q. That would be the round trip?

A. Yes.

Q. But from Corner Brook to Flowers Cove, how long, ordinarily, would it take for that trip, how many nights?

A. There would be from one to two nights on the ship -- two nights.

Q. And there is only sleeping accommodation for five people; is that correct?

A. Yes.

Q. What do the others do?

A. They just sit around; sit on the hatch, and those who are fortunate enough are given berths by the officers of the ship, who, of course, have to sit up.

Q. That does not occur on the Northern Ranger, where there is sufficient accommodation?

A. No, the Northern Ranger is a regular passenger and freight boat.

Q. The Clarenville is a motor vessel of the smaller type?

A. That is correct, but the trips of the Northern Ranger are so few and far between for most of the people on the coast, and owing to the long run and owing to the lack of suitable harbours the Northern Ranger cannot handle the people. Most of the passengers on the Clarenville would be for St. Barbe district.

THE CHAIRMAN: Q. Does the Northern Ranger go to St. Barbe?

A. Yes.

HAZEN A. RUSSELL, called. Examined by Mr.Lewis.

MR. LEWIS: Q. Your name, Mr. Russell, please?

A. Hazen A. Russell.

Q. What is your position, Mr. Russell?

A. I am one of the directors of Job Brothers, and the North Atlantic Fisheries and other companies associated with fishing and transport operations.

Q. I think your company is principally engaged in the production of fresh fish and fresh fish products?

A. That is our principal line of business.

Q. I think you operate a number of cold storage plants throughout the coast?

A. We have five cold storage plants, one at St. John's, one at Bonavista, another at St. Anthony, and the others are at Englee and Port aux Basques.

Q. Would you be good enough to point out on the map where these plants are located?

A. Yes, I will be glad to do so. (Mr. Russell indicates the places mentioned on the map of Newfoundland.)

Q. Your company owns and operates a fleet of carriers in relation to those operations; is that correct?

A. Yes, we have a fleet of refrigeration carriers. The reason for that is that the most of these plants are established in the outports. The production we have is frozen fish in those plants and we have no means of getting that production to market. Therefore, we had to obtain our own refrigerated transportation. These transports pick up the frozen fish at these various plants and, prior to the war, they took some of it to the United Kingdom, and since the war most of it is taken to Canada and the United States.

Q. Of your production, what proportion goes to Canada?

A. Only a relatively small proportion is sold in Canada, although a fair proportion is shipped to Montreal from where it is trans-shipped to the United States.

Q. Do you ship any of your production by railway from Newfoundland?

A. Strictly speaking, by railway, no, but we do use the ferry across from Port Aux Basques to North Sydney some, but not so very much because, prior to Confederation, the water haul plus the rail haul from North Sydney not only made too much handling but was too expensive. Therefore we tried to arrange to have our own boats call at Port aux Basques to take the fish direct to Montreal, or wherever it was necessary to land it.

Q. Is that what you are doing now?

A. Yes.

Q. You are not using the railway facilities now for handling your production?

A. No.

Q. Is that because the freight rate structure is such that it is uncompetitive?

A. It is not altogether that question now, but we have these boats, which cost a lot of money, and having obtained these boats, we naturally are prepared to use them in . own business.

Q. Apart from the lifting of frozen fish and frozen

fish products, what other use do you put your fleet to?

A. Naturally, if we operate these boats to other places in Canada and the United States, we want to get return cargoes. Return cargoes will help us to reduce the cost of operating these boats, and therefore reduce the cost of laying down our products in the United States or Canada. That would have the effect of keeping our business production costs lower, which is an important factor since we must compete with the Maritime Provinces and the New England States. Therefore, it is very important that we get the cost of our production down to the lowest possible point.

Q. In other words, it is an important factor in your selling?

A. Under certain conditions, such as we have had here this last few months, it is very important.

Q. In the movement of goods, fish and fish products, from points in Newfoundland to the United States markets, do you get any subsidies or subventions of any kind in relation to that movement?

A. No, we are operating entirely on our own feet. We might like to get some sometime; I am sure it would be appreciated by the shareholders; but we are running our steamship line on its own feet and quite independently.

Q Do you carry passengers or mails?

A.. We carry passengers on one boat which runs from our Northern base - from St. John's to our

Mr. Russell

Northern outpost and Montreal.

Q. How many passengers do you carry?

A. Twelve -- we can carry twelve passengers.

Q. Do you carry mails?

A. No.

Q. Would you give us the benefit of your observations in relation to the City or Port of St. John's, following Confederation? Would you be good enough to tell the Commission what you think of the situation, and what can be done, if anything, for its relief or its amelioration?

A. That is a rather large question. The Port of St. John's has more than one problem. In the past, you had the question of fishing interests. All these little piers on the North side of the harbour were designed for the handling of small vessels coming in to St. John's and unloading fish, and after unloading their fish cargoes many of them took supplies when they they went back to their home ports. Then during the last few years, the quantity of fish that has been handled in St. John's has grown less and less, and there is actually less need for all these small wharves than there was years ago. Some of them, however, are still necessary, I think, -- that is in connection with the fish business. In connection with the handling of goods that would be imported from Canada and the U.S. undoubtedly there is some a improvement that can be made. You have some fairly good sites or piers as they are and with some rearrangement and some mechanization you might do a

better job in handling our inward freight. Whether or not one is justified, the government or otherwise, in spending any large amount of money is rather doubtful, as I would say that since confederation the tendency is going to be for increasingly large quantities of goods to by-pass St. John's. They are going to be imported direct to the outposts. Now, if St. John's is going to lose some of its trade . . .

THE CHAIRMAN: Q. Where would they go if they by-passed St. John's?

They would go to the other outport places in the Island all along the coast - Bonavista, St. Anthony and other places.

Q. You mean on the South?

A. Both North and South, sir.

Q. The goods formerly coming into St. John's will not come in that way any more?

A. I think there will be a reduction, possibly a very large reduction coming in through St. John's.

Q. These goods will come in through other ports?

A. Under Confederation, it will be cheaper to bring in these goods direct to say St. Anthony, Bonavista, Botwood, Lewisporte.

Q. When you say "under Confederation" do you mean goods coming in from other parts of Canada?

A. Yes.

Q. Not foreign countries?

A. No.

MR. LEWIS: Q. How is the position of foreign

Mr. Russell

markets and foreign supplies affected by Confederation?

A. Since Confederation, the amount of goods purchased in Canada would be increased tremendously, and the quantity of goods purchased from other countries, particularly the United States, has decreased.

Q. In other words, the balance has swung from the American market to the Canadian market?

A. Yes.

Q. You were going on to say that you anticipated a substantial falling off in trade in St.John's as a result of that change over?

A. I am afraid, very much afraid that is going to be the case.

Q. If that is the case, assuming it is the case, have you any suggestions to make as to how that position can be cushioned, something done in relation to this port that would ease the blow, so to speak?

A. If you mean by "blow" in so far as labour is concerned, we naturally are suffering in St. John's from lack of industries.

Q. Basic industries?

A. Basic industries; and whether or not there are any industries that can be built up in St. John's to help cushion the position from the standpoint of labour I do not know. It is possible that something might be done with the fisheries.

Q. Have you any views on that?

A. Having been in the cold storage business, one of

my objects is to build up that industry here in St. John's. St. John's has a natural location that lends itself to the building up of a frozen fish industry.

Q. Frozen fish industry, what do you mean by that?

A. The operation of deep sea trawlers and draggers from St. John's; the landing of this fish here, and the freezing of this fish, and the exportation of that fish from St. John's to markets, mostly in the United States.

Q. Would that be more expensive than the present position existing now in relation to fresh fish?

A. What do you mean by that?

Q. You have an industry here now of substantial proportions, have you not?

A. Yes.

Q. Fresh fish?

A. Frozen fish.

Q. Would you envisage any worth while expansion here when you establish a fresh fish industry?

A. Yes, I personally feel there is a worth while expansion here in connection with frozen fish. I also think that as time goes on and as more ways are found to keep fish fresh that we may in time from some parts of Newfoundland be able to export fresh fish, possibly from St. John's, and particularly in connection with shipments by air.

Q. You mean "fresh" fish as distinct from "frozen"?

A. Yes.

Q. Just getting back one step to the natural facilities which St. John's offers in that respect. Is it fair to suggest to you that all the basic elements exist here in favour of the establishment of a fresh or frozen fish industry of quite substantial proportions?

A. I think so, yes.

Q. What would be the essentials necessary for that?

A. Well, the main essential is the money, the cold storage industry takes a lot of money not only for trawlers, for the fish plants, but for the building of cold storage plants, equipping them with machinery and the carrying on of the business. Everything else, I think we have here. From the standpoint of labour in St. John's, it would be of tremendous benefit.

Q. I just want to get on the record your standpoint that even if St. John's were to suffer sub-s stantially from a trade angle as a result of the change-over, that there is a fair prospect, if I may put it that way, of establishing a basic industry here to offset that loss in your view?

A. It would not offset all that loss, but there is a good chance of building up a worth while industry in St. John's with the co-operation of business, the government and labour; it has to be done co-operatively as I mentioned, or it is not possible.

MR. COVERT: That, Mr. Chairman, I believe closes the presentation of the Government of Newfoundland, and there are, I think, 3 more briefs, 4 briefs,

one from the Airways, one from the Newfoundland Board of Trade, another from Associated Newfoundland Industries and the other from Bowater's. That would leave a pretty heavy programme for to-morrow, I might suggest that in order to shorten it, if we could have these briefs put in as read it would shorten the time considerably. The briefs could be taken right into the record.

THE CHAIRMAN: Is Mr. Lewis acting for any of these parties?

MR. LEWIS: No, My Lord.

MR. COVERT: I think they propose to take the airways brief first, it is a short one. I do not know how your Lordship feels . . .

THE CHAIRMAN: What is the prospect of having these briefs entered in as read?

MR. COVERT: If we could have a recess we could discuss it and perhaps put it in by agreement. Could we have a recess for five minutes?

MR. CHAIRMAN: We will recess for 5 minutes.

AFTER RECESS:

MR. COVERT: Mr. Chairman by arrangement with Mr. Murphy we have agreed to enter this brief.

THE CHAIRMAN: What is the name of this brief?

MR. COVERT: It is the brief of Bowater's Newfoundland Pulp and Paper Mills Limited, and the witness is Mr. Murphy.

THE CHAIRMAN: Is anybody acting for this Company?

MR. COVERT: No, sir.

THE CHAIRMAN: Then you will handle it?

MR. COVERT: Yes, sir.

GERALD F. MURPHY - CALLED

EXAMINED BY MR. COVERT.

Q. Mr. Murphy, what is your name?

A. Gerald F. Murphy.

Q. With whom are you employed?

A. Bowater's Pulp and Paper Mills Ltd.

Q. What is your occupation with that Company?

A. I am general traffic manager.

MR. COVERT: Now, Mr. Chairman, by arrangement with Mr. Murphy it has been agreed that the entire brief may be copied right into the record as if it had been read, and we will proceed immediately with the questioning.

BRIEF SUBMITTED ON BEHALF OF
BOWATER'S NEWFOUNDLAND PULP & PAPER MILLS LIMITED

Corner Brook, site of Bowater's Newfoundland Pulp and Paper Mills, Limited, lies at the head of the scenic Bay of Islands. It is 740 miles from Montreal by sea, and 247 miles from North Sydney, covering about 100 miles across the Cabot Strait to Port Aux Basques, and 147 miles beyond by Canadian National Railways. It is connected by railway with Gander Airport, 180 miles to the east, and with Stephenville Crossing, 48 miles westward, which in turn connects with the nearby United States Military Airbase at Ernest Harmon Field, where Trans-Canada Airlines now enjoy landing rights. Motor vehicle traffic on gravel roads is possible along the Humber Valley to Bonne Bay, via Deer Lake, a distance of 60 miles, also to St. Georges, through Stephenville Crossing, 59 miles to the west.

Some 20,000 people live in the Greater Corner Brook area, which takes in Corner Brook townsite, Corner Brook West, Corner Brook East, Curling, Petries, Mount Moriah and Humbermouth.

It is the geographiccentre of an area where the natural resources has tremendous possibilities for tourist development once a paved highway from Port aux Basques is constructed, and a motor vehicle ferry is provided between North Sydney and Port aux Basques.

The original paper mills at Corner Brook came into operation in 1925, and has been greatly extended since then, as the following comparative production tables indicate:-

Year	Pulpwood	Sulphite	Newsprint
1925	197,000 Cords	-	100,000 tons
1930	250,000 Cords	-	168,000 tons
1940	276,000 Cords	9,900 tons	197,635 tons
1949	500,000 Cords	45,000 tons	295,000 tons

It is the largest integrated newsprint mill in the world.

It's annual payroll is now close to $14,000,000 compared with $5,000,000. before the war. Some seven thousand men and women earn their living directly from Bowater's.

The port facilities at Corner Brook are all owned by Bowater's with the exception of those operated by the Western Terminals Limited, whose premises comprise a wharf, 683 feet over all in length, with suitable freight sheds, and modern freight handling equipment. Vessels of the Clarke Steamship Company from Montreal, Furness Red Cross from New York, the steamship service from Prince Edward Island and the Canadian National Railways Coastal steamers, all dock at the premises of the Western Terminals, which is a locally owned company.

Bowater's newsprint production, while mainly shipped to the American Markets, with deliveries through ports beginning at New York, and continuing down the Atlantic seaboard to Miami, thence into the Gulf of Mexico, as far as Houston Texas, also ship substantial quantities to the United Kingdom, South Africa, India and New Zealand. Shipments are made directly by steamers from Corner Broo during the open season of navigation, and by railway to Port aux Basques, for

transhipment by chartered steamers when Bay of Islands is blocked by ice during some three months of each year. Bowater's own the steamer, S.S.Corner Brook, which has a newsprint carrying capacity of 5700 net tons of newsprint. The Corner Brook is capable of transporting about 90,000 tons of newsprint per annum to the U.S.A., while the rest of the mill's production is taken care of by chartered vessels.

By harnessing the water power development from Grand Lake, Bowater's generate at Deer Lake an output of 150,000 horse power, which is delivered to Corner Brook, a distance of 32 miles by transmission lines.

We are appending herewith, as exhibit "A", a statement disclosing the volume of Bowater's freight traffic for 1948, and now turn to matters of considerable importance to all of us, and which appear to properly come within the terms of reference to your Commission.

RAILWAY FACILITIES - Corner Brook.

We are attaching under Exhibit "B" a sketched plan of the general outlay of Corner Brook trackage..

This sketch shows that the Canadian National Railways have the following track facilities at Corner Brook.

(1) A through siding located westward from the station upon which is installed an outmoded track scale.

(Q) A spur located east of the Freight shed. This can accommodate about six freight cars for direct unloading to consignees' vehicles.

(3) A through siding back of the Freight sheds with accommodation for eight cars of less-than-carload freight accessible for unloading to the railway freight sheds.

(4) There is also a spur siding west of the railway freight sheds equipped with a ramp at its extremity for the off-loading and loading of motor vehicles etc. This spur has a capacity of three railway cars.

It should be recorded that the above railway track scale is the only railway one west of Bishop's Falls.

The station at Corner Brook is far too small for the volume of traffic it has to serve within this area. Its facilities for the railway staff are not conducive to efficiency. There is no separate office for the Railway Agent permitting the conduct of the public's business in privacy, nor can the Ticket Agent adequately serve prospective passengers. Waiting rooms should be greatly enlarged in order to better accommodate passenger traffic.

Passengers boarding and dismounting from trains have to use quite a narrow platform. During winter months this is actually dangerous, especially with westbound trains. As there is no protection afforded passengers against weather it is, therefore, recommended that a canopy be provided. Parking facilities for motor vehicles should be enlarged as they are most inadquate, especially where trains are westbound.

Freight Sheds.

These are located west of the railway station, and are considered presently acceptable, now that with the coming of Confederation the main volume of freight traffic is no longer arriving in bond, and hence goods are more promptly cleared away.

The Freight office itself, however, is not suitable located for servicing the public, and we recommend it should be removed to a better point of vantage.

Yard Facilities.

The Canadian National Railway's trackage at Corner Brook are considered inadequate even for the handling of their own trains within that area; so much so, that on occasion they have to utilize Bowater's tracks for the crossing of their trains etc. This results in the blocking off of Bowater's own shunting engines, hence, we, therefore, suggest that the Canadian National Railways provide themselves with additional track facilities within the Corner Brook area.

Passenger Train Service (winter)

Previous to last winter, with only two mainland trains and no local trains each week, there have been occasions where there were no trains moving through the west coast for upwards of a week. Last winter was exceptional, in that there was very little snow for the railway to contend with, especially on the Topsails.

The west coast public's needs cannot be

properly served during the winter months with less than a recommended minimum mail and passenger train service of three through expresses, and two local trains per week in each direction.

Freight Rates

We do not propose to deal in this brief with the matter of the freight rates structures presently enforced against us by the Canadian National Railways which are contrary to the terms of Union between Canada and Newfoundland, for this is currently receiving the attention of the Federal and Newfoundland Governments. Our brief in this respect has already been submitted to Premier Joseph R. Smallwood.

Railway Branch Lines

The Canadian National Railways, since Confederation on April 1st, have been exploring the potentialities of our suggestion to them relative to the construction of a Railway branch line, extending from Main Dam to Hampden, White Bay, a distance of some 30 miles.

It is estimated that Bowater's could furnish pulpwood traffic from the area tapped by such a line to the extent of 80,000 to 100,000 cords in perpetuity.

Preliminary exploration indicates agricultural possibilities in this vicinity. It has been stated that further investigation by the Canadian National Railways may disclose operating economies in employing Hampden as a base for certain of their Bay Steamers.

We avail ourselves of this opportunity to

provide a comparative statement showing the population per mile of railway within Canada.

	Maritimes	Quebec	Ontario	Prairies	B.C.	Total	Nfld.
lation in sands	1064x	3096x	3690x	2414x	750x	11,014x	350
way Mileage	3554x	4777x	10,746x	19,171x	3907x	42,155x	715
lation per of Rly.	299	648	343	126	192	261	489

x for year 1936.

It is patent that Newfoundland, with the exception of Quebec, whose population is comparatively concentrated, has the highest per capita rate per mile of railway within Canada, and, therefore, is in need of more branch railways, including, in addition to that proposed for Main Dam - Hampden, certain spurs to tap other pulpwood areas.

A 10 mile spur-extending from approximately Mile Post 420 to Serpentine Lake, which would furnish some 120,000 cords of pulpwood. Also take-off spur from west of St. Fintan's to Loch Leven, a distance of two miles so as to tap the Highland River cordage of some 100,000 cords.

Waterways

2 Newfoundland being an Insular Province can best be served by that cheapest of transportation, namely, Marine.

It is our conviction that the Canadian National Railways would be well advised to take full advantage of this and consider making some permanent arrangement with the water carriers operating out of Montreal, during the open season of navigation, to

corner Brook and St. John's, whereby traffic originating in the Upper Provinces can be transported by these steamers now serving Newfoundland rather than incurring the heavy expense of the long rail haul of 1000 miles or more to North Sydney as well as the coast beyond.

True, this would have to meet the competitive all rail through freight rates, as provided under the terms of Union between Canada and Newfoundland. It is quite probable that under the customary division of such through freight rates on traffic originating west of Montreal it would not be possible to make a sufficient allowance to the water carriers which would permit a profitable operation for their steamers. The Federal Government, however, compensate the Canadian National Railways for its annual deficit, therefore, we feel a lesser expenditure would be necessary by the Federal Government if they would subsidize the water carriers under the above suggested arrangements.

We hold that Newfoundland, including ourselves, is entitled to prompt delivery of its purchases from Upper Canada, which the water route from Montreal would provide, and which is not possible by the longer railway route through North Sydney.

Dredging

The Federal Government has assumed since 1867 the necessary capital outlay incidental to dredging required for the improvements to the approaches by water to docks and wharves, as well as improvements and deepening of river channels.

Records show that such work has been constantly carried out in almost every Province of Canada, hence we submit the urgent necessity of making a prompt survey of the approaches to the harbour of Port aux Basques, especially from the standpoint of eliminating, by dredging, of the menace of safe navigation of shipping, of its treacherous "Pancake Shoals".

Ice Breaking Services

It has been the policy of the Federal Government at substantial expense to strategically station, and have available, one of its ice breakers, to assist where necessary, late departing ships out of the River St. Lawrence following the official closing of navigation within those waterways.

Each spring the opening of navigation within the River St. Lawrence is hastened by the employment of ice breakers to break up the river ice, and thus permit ocean shipping to be able to reach the ports of Quebec and Montreal earlier than otherwise would be possible if nature only were depended upon for such a task.

The Fishermen of Bay of Islands, and ourselves, are grateful to the Federal Government for having last spring made the Ice Breaker "Saurel" available for opening up channels in the Goose and Humber Arms, which action provided an opportunity for the ice to escape into the Gulf.

As the cost of opening up the Bay of Islands is infinitesimal compared with the opening up of the

River St. Lawrence we respectfully submit that consideration be given to having an ice breaker made available in Bay of Islands, as ice conditions may dictate, during late December and the month of January, as well as again in the spring, thereby assisting the fishermen to resume their pursuits and at the same time afford opportunity to all steamers wishing to reach the port of Corner Brook.

Aids to Navigation

Bay of Islands: A direction-finding beacon should be established on South Head. This would guide the ships from the South, West and North and is most necessary for the volume of shipping which enters the Bay of Islands each year. The existing red flashing light on Woods Island is difficult to distinguish and it is suggested that the colour of this light be changed from red to white.

Range lights should be established near Number Five berth of Bowater's waterfront to lead ships to that wharf. At the present time the brilliant lights from the mill tend to blind masters and pilots but with a set of range lights the course could be steered right to the berth, clear of the shoal which extends to the northward and clear of the dolphins which form the boundaries of the main wood holding ground.

Cape St. George

A light of not less than fifteen miles visability on a dark night with a clear atmosphere should be established on this headland. A strong sea is frequently experienced in or out of Bay St. George and the establishment of this light would be a very distinct aid.

Pass Island

The fog horn on Pass Island should be increased in volume and adapted so that the sound could travel through the arc of the compass from South through west of north-east. At the present time this Horn cannot be heard to the westward. For traffic entering Bay D'Espoir and Fortune Bay a radio beacon is most essential on this island.

Hawkes Bay

A fog signal on Keppel Island should be established. The existing light is good. The beacons which are established at Robin's Island were repaired and painted this year by Bowater's. Lights which were loaned to us by the Canadian Government were established on these beacons by Bowater's and it is suggested that in future years the Government take over the establishment and upkeep of these lights during the shipping season.

St. Genevieve Bay

Bowater's established a light on Entry Island this year. This light was on loan from the Canadian Government and was invaluable during our shipping season at this port. We established our own system

of buoys there, which worked exceptionally well. An unwatched light could be permanently established at Entry Island and would be a great benefit for shipping traversing that part of the coast.

St. Barbe

The light which is established at the entrance to St.Barbe Harbour is not on the point as shown on the chart, but is on a point about a quarter of a mile to the eastward. The attention of the surveyors on the Canadian Survey ship "Acadia" was called to this matter during 1948, but whether or not a "Notice to Mariners" was issued concerning this is unknown.

Hare Bay North

It is recommended that a light be established on Pradet Island which is in the approaches to Main Brook, Hare Bay. Bowater's had considerable traffic into Main Brook in 1949 and we established a light on this island which was loaned to us by the Canadian Government. This light proved very useful.

Canada Bay

A light should be established on Bad Rock or the adjoining mainland to assist vessels at night proceeding in or out of the reach which leads to Roddickton and North East Brook.

Baie Verte

A light should be established on Grassy Island to enable vessels to enter and leave this port at night.

Partridge Point

This light is most unreliable and is extinguished for

months at a time. It is an important light as it leads into White Bay and a reliable light is most necessary. The absence of radio beacons in this area of the coastline emphasises the fact that a wireless beacon on this point would be a great advantage.

Grandby Island

This island is indistinguishable on a dark night owing to the height of the mainland in the background and a good light established here would be of distinct advantage for vessels entering or leaving the port of Hampden.

The Funks

This area of the coastline is always a distinct menace and the establishment of a radio beacon would be most useful to vessels traversing that part of the coast.

Cabot Island

It is suggested that this light be changed during the summer months from a fixed white to a flashing a light and its power increased.

Hamilton Sound

The lights in Hamilton Sound, although unwatched and of low power, are, generally speaking, very reliable. It is suggested in the interest of navigation that a large scale chart be issued of this section of the coast.

Port aux Basques

A radio beacon should be established at the entrance to the harbour.

Burgeo Islands

The existing light on Boar Island is good but the light on a small island to the westward is considered to be too far to the northward and it is suggested that this light be shifted to the southernmost island Miffel Island - and its power increased.

The above recommendations are those of our Captain H.B. Miller, and same are based on 19 years of experience around the coast of Newfoundland, and can readily be supported by the various masters on the Canadian National Railways coastal steamers.

Bowater's interests extend beyond the ports of Corner Brook, and Port aux Basques, since they transport 150,000 cords of pulpwood by large barges from such ports as Travers Brook, B.B., Halls Bay, Baie Verth, Canada Bay, Hare Bay, Bay St. Genevieve Bay, Hawkes Bay, Bonne Bay, West Bay and Bay D'Espoir.

PUBLIC HARBOURS

It is obvious that the policy of the Federal Government is to construct and maintain public wharves where and when such action is considered necessary in the public interest. The construction and maintenance of public wharves throughout Canada is within the jurisdiction of the Federal Government and the responsibility for deciding whether or not public wharves or breakwaters are necessary in any given locality rests with the Dominion Government authorities, who take local requirements into consideration.

There appears in the pamphlet entitled "Statements on Questions Raised by the Newfoundland Delegates, page 6 thereof", as issued by the King's Printer, the following:

"The Canadian Government will, at the request of the Province of Newfoundland, and having regard to the best interests of the Province, investigate the desirability of establishing one or more harbours in the Province as National Harbours, under the National Harbours Board".

Under Section 33 of the terms of Union there is stated:-

"The following Public Works and Property of Newfoundland shall become the property of Canada when the service concerned is taken over by Canada, subject to trusts existing in respect thereof, namely:

(a) The Newfoundland Railway, including Rights and Way, Wharves, Dry Docks and other real property etc.

(b) Public Harbours, Wharves, Break waters and aids to navigation,,/ Port aux Basques Newfoundland terminus of the Canadian National Railways has inadequate terminal facilities for the efficient and economical handling of both inbound and outbound (especially newsprint) freight traffic.

We submit that consideration be given to making Port aux Basques a National Harbour, involving the erection of suitable extended facilities.

It is noted with satisfaction that the Federal Government has recently decided to expand some

$2,900,000 on improved terminal facilities at North Sydney in order to expedite traffic moving through that port destined for Nfld.

Highways

The matter of highways being of prime importance in the developing of the resources of a Province we hereby bring to your notice the relative position of Newfoundland with that of the other Maratime Provinces:

Highway Mileages

Classification	P.E.I.	N.S.	N.B.	Nfld.
Hard Surfaced	209	959	977	61
Gravel	249	6164	7681	202
Total Surfaced	458	7123	8658	263
Improved	2352	3223	2670	-
Unimproved	906	4776	984	109
Grand Totals	3716	15122	12312	372

It can readily be discerned just how badly fares Newfoundland with respect to highways, notwithstanding our Province closely approaching Prince Edward Island in the number of registered motor vehicles, viz:-

P.E.I.	N.S.	N.B.	NFLD.
9948	70,300	51,589	8089

Both the newsprint companies in Newfoundland have expended large sums of money for reconstruction of logging roads, some of which could be extended into trunk highways, and be the connecting links between centres of population.

This work can readily be seen by referring to the attached highway map of Newfoundland, as prepared

by Bowater's Woods Department, who up to this year have expended a sum of $1,300,000.00 constructing 36-miles of different kinds of roads. Included in this mileage are 33 miles of road built by Bowater's at a cost of approximately $15,000. per mile, but only taken into account in the foregoing costs to the extent of $3,000. per mile. This is in accordance with Bowater's agreement with the then Commission of Government for whom such highway construction was undertaken. Such policy is presently continuing until the 65 miles of highway linking Corner Brook with Grand Falls are completed.

Telegraph Lines

The terms of Union provided that the following Public Works, the property of Newfoundland Government shall become the property of Canada, viz:-

"The Public Telecommunication system, including rights of way, land lines cables, telephones, radio stations, and other real and personal property."

Such has now been entrusted to the Canadian National Telegraphs to whom we look for an improvement in the service between Corner Brook, and coastal points, especially Baie Verte, Hawkes Bay, etc, where we maintain extensive logging and shipping operations.

We now bring to your attention the current cost of transmitting telegraph messages within and out of Newfoundland by making the following comparisons:-

OM	TO	Miles	Straight Messages 10 words	Day Letter 50 words	Night Letter 50 words
ner Brook,Nfld.	Hampden,Nfld.	73.4	.30	1.50x	1.50#
cton, N.B.	Salt Springs,N.B.	71.8	35	.53	.35
ner Brook, Nfld.	North Sydney,N.B.	242.2	.90	1.35	.90
th Sydney,N.S.	Westchester,N.S.	243.2	.35	.53	.35
John's,Nfld.	Cornerbrook,Nfd.	405.0	.30	1.50x	1.50#
John,N.B.	Sacre Coeur,Nfld	403.8	.50	.75	.50
ner Brook,Nfld.	Halifax, N.S.	516.2	.90	1.35	.90
ifax, N.S.	St.Fabien,P.Q.	518.9	.50	.75	.50
John's, Nfld.	Port aux Basques	547.2	.30	1.50x	1.50#
ifax,N.S.	Isle Verte,P.Q.	548.2	.50	.75	.50
John's,Nfld.	North Sydney,N S	647.2	.90	1.35	.90
ifax, N.S.	St.Pierre,P.Q.	647.4	.50	.75	.50
ner Brook,Nfld.	St. John,N.B.	658.1	.90	1.35	.90
ifax, N.S.	La Durantaye,P.Q	659.2	.50	.75	.50
ner Brook,Nfld.	Montreal, P.Q.	1228.1	1.00	1.50	1.00
ifax, N.S.	Brantford,Ont.	1240.1	.55	.73	.55
ner Brook,Nfld.	Toronto,Ont.	1562.1	1.05	1.57 1/2	1.05
lifax,N.S.	Whiteriver,Ont.	1578.2	.55	.73	.55

x-- No Day Letter rate. #--No Night Letter rate.

Considerable difficulty is being experienced in communicating with ships bound for the port of Corner Brook once they approach the land, and whilst in the Bay of Islands. This is due to the high hills. The mineral content of the grounds and the impractical location of the existing ship-to-shore radio telephone station at Corner Brook.

It is recommended:

(1) that the station be relocated nearer the coast so as to cover the approach and waters of Bay of Islands, and thus avoid screening effects.

(2) that the receiving set be located at a sufficient distance from the transmitter in order to permit satisfactory duplex work.

Hotels

Most of the inbound passenger traffic to Newfoundland via North Sydney originated in Upper Canada or the New England States.

The Canadian National Railways train schedules are such that passengers must arrive in North Sydney in the early morning if they are to make connection with the departing steamer that evening for Port aux Basques.

There is inadequate hotel accommodation at North Sydney to look after the comforts of such passengers hence we, therefore, submit for consideration the erection in that Town by the Canadian National Railways of a suitable hotel so that Newfoundland's passenger traffic may be better served. The passenger route through North Sydney is supposed to be continuous, hence this would seem to warrant the Canadian National Railways taking care of its passenger traffic throughout their journey whereas upon arrival at North Sydney they generally find themselves without any place in which to refresh themselves.

There is great need also for hotel accommodation at Port aux Basques, and we suggest something should be done in order to accommodate passengers whose journey extends to coastal points, and who upon arrival find they have to await the arrival of the said coastal steamers.

Respectfully submitted

For and on behalf of:

Bowater's Newfoundland Pulp and Paper Mills, Limited.

Gerald F. Murphy
General Traffic Manager.

EXHIBIT "A"

RAILWAY TRAFFIC - 1949 (Nine Months)

	Tons	Freight Paid
Newsprint Corner Brook to Port aux Basques	27,600	$ 82,900.00
Pulpwood	191,400	228,900.00
Rail Freight and Express	6,376	69,350.00
TOTAL	225,376	$381,150.00

MARINE FREIGHT TRAFFIC

Coal	105,000
Sulphur	12,000
Newsprint (Exclusive of Port aux Basques shipments)	267,000
Sulphite	45,000
General Mill Freight	7,000
Pulpwood (by Barge)	350,000
TOTAL	$ 786,000
Trucked Pulpwood 80,000 cords	200,000

SUMMARY

Railway Traffic	225,376 Tons
Marine Freight Traffic	786,000
Trucked Pulpwood	200,000
GRAND TOTAL	1,211,376 Tons

MR.COVERT Q. Now, Mr. Murphy, would you turn to page three, to the last 2 paragraphs on that page where you refer to the enlargement of the waiting room and the narrow

platform and the need for a canopy and parking facilities for motor vehicles. The first question I would like to ask is have those matters been discussed with the railway officials?

A. I do not believe they have. I felt they should be handled under section 312 of the Railway Act.

Q. You want on to refer to that section of the Railway Act and suggest that it could be dealt with under that?

A. That might be the way to deal with it.

Q. On page 4, second paragraph from the bottom you state that additional train service should be provided. I want to ask you first, what is the present train service?

A. At the moment four foreign trains or through expresses in each direction and two or three local trains per week.

Q. Well the, that is perhaps in excess of what you had recommended here?

A. Well, what I have suggested there applies only to the winter, when ordinarily it has been going down to two trains a week.

Q. Well now the suggestion on page 4 is that during the winter months it is less than the recommended minimum mail and passenger services of three through expresses and two local trains.

A. Yes.

Q. I take it that your recommendation for the winter is two expresses and three local trains. Now what is the present service in the winter months?

A. You mean the previous services. We have not got to the winter yet.

Q. What is the previous service?

A. I believe it has been two through expresses.

Q. Instead of three?

A. Instead of three.

Q. And as to the local trains per week?

A. I do not know. The last two years one local train each day.

Q. So in effect you suggest doubling on the local trains, and an increase of one-third on the expresses. Now has that matter been discussed with the C.N.R.?

A. No, not discussed.

Q. Is the traffic on these trains in the winter months heavy? Are they overtaxed? Is that your suggestion?

A. It is overtaxed and the mail service is not very good; I am speaking from the West Coast standpoint.

Q. Again that is a matter that can be brought up under the Railway Act?

A. This is more information that is given concerning conditions on the West Coast.

Q. Now then in the table on page 5 you set out the population in thousands and the railway mileage and the population per mile of railway in various regions in Canada, the Maritime regions, and centrally the Provinces of Quebec and Ontario, British Columbia and the Prairie region, and the total population of Canada and Newfoundland, and you draw the conclusion

from the tables that, with the exception of Quebec, Newfoundland has the highest per capita rate per mile of railway within Canada.

THE CHAIRMAN: Rate per mile?

MR. COVERT: Q. That is the number of people per mile of railway; I think that is it?

A. Yes.

THE CHAIRMAN: With the exception of Quebec?

MR. COVERT: That is with the exception of Quebec, Newfoundland has the highest per capita per mile of railway in Canada.

THE CHAIRMAN: Less mileage than any other Province except Quebec?

MR. COVERT: Yes, that is correct.

THE WITNESS: Yes ,that is correct.

MR. COVERT: Q. And from that you deduce that it is in need of more railway branches?

A. Yes.

Q. Yes.

Q. It occurs to me that there may be quite a fallacy in that line of argument. For instance, on the Island of Montreal there are just 150 miles of railway. It would be practically for a million and a half people. It would be a hundred thousand per mile, so would those figures indicate much?

A. No, simply to be illustrative about the general situation.

Q. Now in general on page 5, what you have done is to refer to the necessity in your view of three branch lines or spurs, is that correct?

Mr. Murphy

A. I would like to say the desirability rather than the necessity.

Q. And one, the thirty-mile one, is already being investigated by the C.N.R?

A. It is being explored.

Q. And that one would appear to be perhaps a very profitable road. You suggest that Bowater's alone would furnish it with 100,000 cords of pulpwood per annum in perpetuity.

A. Yes, that is brought out purposely to show the traffic potentiality of the branch line. Actually we are moving that without the railway, the proposed branch line itself, by other means such as trucking in vehicles a distance of thirty-five miles, and feeding the wood into the headwaters of the Humber.

Q. If that branch line were established, would that mean that Bowater's would likely move that wood over it?

A. Quite a possibility of it.

Q. In any event, that would seem to be a matter for the discussion and consideration of the railway.

A. That is exactly what is being done. This is more informative.

Q. Would the same apply to those two spur lines referred to in the last paragraph on page 5?

A. That has not been approached yet. Again it is a potentiality.

Q. That would be a matter which you would undoubtedly discuss with the Railway?

A. Yes.

Mr. Murphy

Q. Well now then, on page 6, the first two sections, you suggest that the Canadian National Railway should make permanent arrangements with water carriers operating out of Montreal to Corner Brook and St. Johns, and my impression is that already those routes have been arranged, from Montreal to those two places, is that correct?

A. That is correct.

Q. Well, in effect, your recommendation in this respect is contained in perhaps the latter part of paragraph 2 on that page where you say the Federal Government should compensate the Canadian National Railways for its annual deficit, and you say you feel a lesser expenditure would be necessary by the Federal Government under the above suggested arrangements. Is that right?

A. That is right.

Q. You say that as a matter of fact it would be cheaper to have the traffic come by water rather than by the long rail route, and that it would in effect be better if the Federal authorities subsidize the water carriers than the Canadian National Railways?

A. That is my point.

Q. And in the next paragraph you also suggest that it would be quicker by the water route?

A. It certainly would be.

Q. Is that so?

A. Yes.

Q. That is -- for instance, from Montreal to St. John's?

A. It is four or four and half days; about three days from Montreal to Corner Brook.

Q. And by rail it takes?

A. Several weeks. Up to several weeks.

Q. That is for freight?

A. Yes, for freight.

Q. How frequent is the water service?

A. There used to be a weekly service to Montreal.

Q. And now?

A. Now it is probably about three sailings a week.

Q. That is per aps one in ten days. So I suppose in reality from certain points of view the time freight takes to get here by water, it might be the ten plus four and half?

A. If you missed a regular sailing.

Q. Whereas the railway facilities would be probably every day?

A. Yes.

Q. Now at the bottom of page 6, you suggest the urgent necessity of making a fresh survey of the approach to the Harbour of Port aux Basques, especially from the standpoint of eliminating by dredging of what is known as the treacherous "Pancake Shoals".

A. Yes.

Q. Now I want to suggest to you that perhaps this would be a matter to be taken up with the Government Department dealing with those things,

but I want to find out first whether there was some particular reason why you brought it to the attention of this Royal Commission on Transportation?

A. I am sorry, I did not follow that.

Q. Ordinarily, if there were something that amounted to a danger to navigation at the mouth of a harbour, that would be, I should think, taken up with perhaps the Department of Transport.

A. The Department of Public Works, Marine service.

Q. I think that comes under the Department of Transport, the Marine services section.

THE,CHAIMRMAN: There is a proper authority to go to.

THE WITNESS: I realize that, but general information was the idea.

MR. COVERT: Q. Well then, on page 7, the last paragraph before you come to the heading "Aids to Navigation", you deal with the suggestion that there may be made available an ice breaker in the Bay of Island, as ice conditions may dictate, during late December and the month of January, as well as again in the spring. You suggest this would help the fishermen and also would help your industry?

A. Yes.

Q. I suppose that would open the Harbour for a long season, and that instead of using the railway during that period your traffic would go by sea?

A. We would find ourselves in the same position as Montreal or Quebec, and could use the water too, much earlier and later.

Q. Would that be some destined to the C.N.R.?

A. In a very small degree, I would say, in comparison to Montreal and Quebec.

Q. Well now, had you any thoughts as to where that ice breaker would be stationed during the period? It would require, I presume, an additional ice-breaker, would it not?

A. I would not think so.

Q. Where would it be stationed?

A. There is usually an ice-breaker stationed at North Sydney.

Q. It would simply mean diverting that one from North Sydney to here at certain seasons. And that would mean that some times North Sydney could not secure the services of an ice-breaker. Again, I would suggest that that would be a matter to be taken up with the Department of Transport and Public Works. The same, I think would apply, Mr. Murphy, to your recommendations starting at the bottom of page 7, continuing through 8, 9 and most of page 10, dealing with Aids to Navigation, wherein you suggest the installation of lights and beacons and so on. There is a Department to which they could be referred, and I appreciate that your brief is for general information dealing with transportation.

A. Not from the standpoint of complaints at all.

Q. Now have you taken these matters up with that Department at all?

A. Well, we are on the subject of Aids to Navigation and application has been made for that; made to the Department of Marine Services.

THE CHAIRMAN: Q. For what?

A. Direction finding beacons at Port aux Basques and Corner Brook.

THE CHAIRMAN: The application has been made?

MR. COVERT: Q. Has been made to the Department of Marine Services?

A. The Department of Marine Services.

THE CHAIRMAN: Q. Asking for what?

A. For direction finding beacons at Corner Brook and Port aux Basques.

MR. COVERT: Q. Now on page 11, 4th paragaraph from the bottom you say,

> "Port aux Basques, Newfoundland terminus of the Canadian National Railways has inadequate terminal facilities for the efficient and economical handling of both inbound and outbound (especially newsprint) freight traffic".

I suppose you have been operating through here for a good many years?

A. That is right.

Q. And are you using the Port more now than during previous years?

A. No, about the same.

Q. I just want to find out about this inadequacy of the terminus facilities. Has this matter been

discussed with the Railway from time to time over a period of years?

A. Yes.

Q. And has it been discussed with the Canadian National Railways since it took over?

A. Yes, and since this was written there are extensions being made at Port aux Basques to segregate the newsprint from the general trade.

Q. Well, I think that might be an indication that that is the way the matter would be handled in the ordinary way, and if they cannot get the proper facilities there is provision in the Railway Act, for that. Now it was in your Brief that the Federal Government had decided to expend $2,900,000 for improved terminal facilities at North Sydney?

A. Yes, I think so.

Q. Now on the question of highways, Mr. Murphy, you have set out, starting at the bottom of page 11, and continuing on to page 12, you have listed the amount of mileage in Prince Edward Island, Nova Scotia, New Brunswick and Newfoundland, and pointed out how badly Newfoundland fares with respect to highways. Then you go on to point out that Bowater's Woods Department has been constructing highways which might be of some use in connection with later highway developments and you refer specifically to an agreement which your company had made with the then Commission of Government for whom such highway construction was undertaken and you say such policy is presently continuing until the sixty five miles

of highway linking Corner Brook with Grand Falls are completed. Now there is no specific recommendation made on this matter.

A. It is purely informative.

Q. Then dealing with telegraph lines, you say you look for an improvement in the services between Corner Brook and coastal points especially Baie Verte, Hawkes Bay, etc., where you maintain extensive logging and shipping operations. Again I do not see any specific recommendation. I want to know if there was anything you want to recommend to the Commission?.

A. There again it is of general application.

Q. On page 13 there is a statement showing the differences in transmission costs of telegraph messages within Newfoundland as compared with, say, points on the Mainland. Now that is a matter which I believe comes under the Board of Transport Commission. It does deal with transportation, but I do not think it is a matter that is properly before this Commission. That is a question of telegraph rates.

THE CHAIRMAN: That is communication.

MR. COVERT: Yes, communication, rather than transportation.

MR. COVERT: Q. And I think, Mr. Murphy, that would also apply to your recommendations on page 14, dealing with the relocation of station.

A. Yes, of the ship-to-shore telephone communication.

Q. Now, finally, on page 14, of your brief you deal with hotels, and you refer to the inadequacy of Hotel accommodation at North Sydney and the need of Hotel accommodation at Port aux Basques. Now perhaps

you were here when that matter was discussed in dealing with the submission from the Province.

A. Yes I was.

Q. It is a question whether you can link that up with the transport problem?

A. My only point with regard to North Sydney is -- this is a little bit different from the hotel in St. John's, in that it is a through route through there and with the way things are now set up it means that through passengers have to hang around North Sydney for a whole day waiting for the departure of the boat that evening.

Q. Passengers arrive by train in the morning and there is no departure until the evening?

A. And there is no going on the boat before an hour before departure.

Q. So they must stay around North Sydney all day?

THE CHAIRMAN: Q. Have representations ever been made to the railway about that inconvenience?

A. No.

MR. COVERT: It would seem to me to be a matter of a waiting room suitable for passengers rather than a Hotel.

THE CHAIRMAN: Probably an adjustment or rearranging of the hours of trains.

MR. COVERT: Perhaps, I do not know, Mr. Chairman, but it may be due to the fact that since the trains must be unloaded it is not a car ferry to put on the ship for transportation.

THE CHAIRMAN: It is a long process.

MR. COVERT: I think that is all the questions

I have to ask. Have you any questions, Mr. Dysart?

MR. DYSART: Yes, one or two questions.

CROSS EXAMINATION BY MR. DYSART

MR. DYSART: Q. Most of the statements contained in your brief, Mr. Murphy, are related to facilities, additional facilities?

A. Yes.

Q. And my learned friend, Mr. Covert, has explained to you in detail that those are matters which in most instances are subject to the jurisdiction of other bodies and Departments, where relief can be obtained, but I thought you might be interested to know that as far as passenger train service for the coming winter is concerned, the present management of the railway contemplates giving you even more than you have asked for. They are going to put on three expresses and three locals in each direction; that is, subject of course to weather conditions, snow conditions. So at least you have that much.

THE CHAIRMAN: What point are you speaking about now?

MR. DYSART: I am speaking about page 4 of the brief. The brief reads as follows:

> "Previous to last winter, with only two mainland trains and no local trains each week, there have been occasions where there were no trains moving through the west coast for upwards of a week."

THE CHAIRMAN: I would like to know where this is.

MR. DYSART: Between St. John's and Port aux

Basques, and apparently the train service which Mr. Murphy requests is being arranged for. They asked for three expresses and two locals. We intend putting three expresses and three locals a week.

RE-EXAMINATION BY MR. COVERT

MR. COVERT: I wonder if you could tell the Commission, Mr. Murpny, what proportion of your total production at Corner Brook moves over the Newfoundland Railway?

A. About ten per cent.

Q. So that 90% is by water?

A. Yes.

Q. You suggest that the railway construct an additional branch line. Is that right or do I misunderstand you?

A. Well, it has been under discussion with a view to what traffic we could provide in the event of that branch line being constructed. As I have mentioned, it has already been taken care of, but I should like to see a branch line go there.

Q. With the construction of such a branch line or branch lines, Bowater's would be in a better position to obtain the raw materials from which their products are manufactured?

A. I do not think so, not in that area.

Q. Would it mean additional volume of traffic to the railway, or would it be lower?

A. In the main, it would be the development of the country.

Q. It is a long-range proposition. You are not suggesting that it be undertaken immediately?

A. That careful consideration be given to it.

Q. That is something we can look forward to in the future.

A. That is right.

Q. You state on Page 6 of the Brief "The Federal Government, however, compensate the Canadian National Railways for its annual deficit, therefore, we feel a lesser expenditure would be necessary by the Federal Government if they would subsidize the water carriers under the above suggested arrangements." Exactly what did you have in mind? A subsidy to the water carriers as well as the railways?

A. A subsidy to the water carriers.

Q. What would happen to the railway? Would the subsidy dry up? Or would the railway cease to exist?

A. My suggestion is that there exists a line of railway between St. John's and Port aux Basques and that line of railway is operated at a loss. That loss is paid by the Dominion Government and is included in the Accounts of the C.N.R.

Q. What do you want? Do you want that discontinued and applied to subsidizing the water carriers?

A. I want to see the water carriers continued. It is a natural route into the West coast of Newfoundland.

THE CHAIRMAN: Q. Who are the water carriers?

A. That would be the Clarke Steamship Company and the Furness Red Cross.

MR. COVERT: Q. Do you think they should be subsidized? Would that enable them to reduce their rates?

A. The matter of rates, I would like to keep away from.

Q. What is the object of the subsidy?

A. The object of the subsidy is the establishment of the all-rail rates and where the traffic originates West of Montreal, I do not think there is sufficient margin for water carriers to continue to operate.

Q. This is to put them in a competitive position?

A. Yes.

THE CHAIRMAN: Q. Is there any danger of their ceasing to operate?

A. I think there is a possibility of that in the future, Sir.

MR. COVERT: Q. That is your own personal opinion? Is it based on actual knowledge of the situation or are you hazarding a guess?

A. There, again, you bring me back to the question as to what the all-rail rates are going to be. I do not know exactly just what the rates of the lines will be. I question very much if they will be able to operate.

THE CHAIRMAN: There is no reason why this Company should not apply for a subsidy and the advisability of granting it or refusing it would be decided by the proper authorities.

MR. COVERT: That is free to everybody.

Everybody is free to apply for a subsidy and some of us are appalled at the number who actually do it.

COMMISSIONER INNIS: Q. You know there is a provision for subsidizing coastal lines, public carriers and it would be a point for those companies to make such application and the Board would consider it .

A. Yes, but this is all so new to us that we went ahead and put it in here.

The Commission adjourned at 5.30 P.M. to meet again on Thursday, Sept.29, 1949 at 10.30 A.M.